

GUARANTEED TO SHRINK WRINKLE AND FADE

**Levi's rise from Cowboy Gear to Worldwide
Youth Icon**

by Bud Robinson

Architect of the Levi's Brand from 1964 to 1974

How Corduroy Jeans Nearly Sunk Levi's 501's

I was promoted to President of Levi Strauss International in 1971, when my boss, Harvard MBA Ed Combs was made the first non-family Executive Vice President. He and I agreed that my replacement as General Manager of Europe should be Pete Thigpen, the Stanford MBA who had been Levi's first expatriate merchandise manager based in Brussels, Belgium.



Pete had diversified the line away from the **'Le Cowboy'** look of 501's to wildly popular unisex corduroy jeans in a rainbow of 27 colors with both straight legs and bellbottoms.



'Le Cowboy' was the image revered by most Europeans as the symbol of America's youth who had liberated them from the Nazis just 26 years before. This cowboy image was especially important to the French company, Est. Frenkel SA, who were the first Levi's distributor of imported Levi's 501 jeans shortly after the war ended in Europe.

In 1948 this small family of Jewish survivors from France, named Frenkel, showed up unannounced at Levi Strauss headquarters in the USA, with a request that they be named Levi's first European distributor, **and they were armed with a suitcase full of cash!**

Laying the impressive stack of money on the table, they told their story and described their qualifications:

Before the fall of Paris to the Nazi's, the Frenkels, had built a successful dry goods wholesale business (similar to the one Levi Strauss had in San Francisco by 1873, when he opened his first jeans factory). As the Nazi armies neared the gates of Paris, the Frenkel family fled to Switzerland, taking only the small cache of assets they had managed to hide.



Surviving there until VE day (Victory in Europe), they returned to France with a remaining hoard of \$10,000 cash to restart their business in Paris.

The first opportunity they seized upon was an auction of surplus, sealed railroad cars marked "Miscellaneous Textiles" being sold by the hastily departing US Army Quartermaster Corps. With no content manifests available, and a "sight unseen" condition of sale, they gambled half of their entire fortune and bid \$5,000 for one car's contents. Praying that they would find some fabrics of value to sell from what they feared might be rags, they were astounded to find that



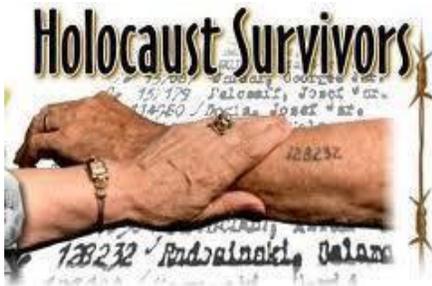
they were high bidders for an railroad car full of brand new 100% wool Army blankets, made in the USA! Imagine just how valuable these were in a country ravaged by war, hunger, and no fuel for heat in winter! Overjoyed at their good fortune, the Frenkels, quickly bid on another "textile" car with their last \$5,000 and were totally overwhelmed when



*its contents proved to be several thousand pairs of new US Army wool trousers! The blankets sold fast, and they were able to get top francs for the much needed and admired US wool pants. These sturdy uniform pants earned far more for the Frenkels than the blankets, so they soon became an early pants wholesaler as Europe's apparel companies gradually returned to production. Then the Frenkels wisely decided to try to obtain another durable US pant to sell in France, namely **Levi's 501's.***



Levi's owners, the Haas family, had great empathy for Holocaust survivors and not only sold the Frenkels as many still-scarce Levi's as their cash would buy, but granted them the exclusive rights to import Levi's to France as wholesale distributors. Soon thereafter, fellow survivors, and prewar friends of the Frenkels, were appointed



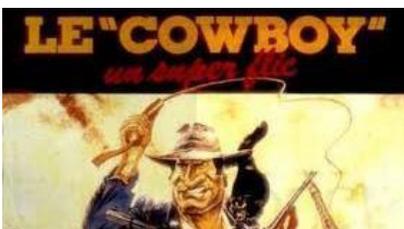
distributors in Austria, Germany, Holland, and England, and six others were selected for the remaining major Western European countries.

Soon Levi's opened a warehouse in Antwerp, Belgium and a small Sales office in Brussels to manage their sale, import, and redistribution to these 10 exclusive distributors.

Levi's continued to be made only in the USA and individually exported to foreign distributors, who in order to have a profitable business, wholesaled them with gross margins similar to other local wholesalers. Since this gross margin had to be based on the distributors' total cost, they necessarily had to add to the US export price, the freight costs and the import duties levied by each country. This resulted in much higher Levi's prices to the ultimate consumer than Americans paid at home.

For example, if a pair of Levi's 501's in the US cost Levi's \$1.50 to make, they sold it to Macy's for \$3.00, a gross margin of 50% of their sales price. Macy's then marked it up to \$6.00 for the consumer. But in Europe, the distributor's \$3.00 purchase became \$4.00 after the freight and duty were paid, and the distributor wholesaled it to his retail store customers for \$6.00 (taking only a 33% gross profit) So when the stores added their profit margin the consumer paid up to \$12.00...DOUBLE the US selling price!

But, In spite of this huge price disparity, and Europeans' much lower postwar income, Levi's sales boomed in Europe. So, as Europeans achieved a post war recovery, spurred by The Marshall Plan, and their own Common Market integration, Levi's enjoyed rapid growth. It should be recalled that this was largely due to the very high esteem everything American enjoyed, the US being almost revered as their liberator and savior. Levi's rode this popularity horse for many years in Western Europe, and the eventual collapse of the Berlin Wall and, later, the dreaded USSR itself, only served to increase the appeal of virtually anything perceived to be authentic "Yankee". In fact, long after Levi's abandoned the 'Le Cowboy' image it was still a strong masculine image promoted in Europe as typically "Yankee".



But there were growing signs that the world's youth were being inspired to a new rebellious independence by marijuana, rock-and-roll music, and iconoclasts like Marlon Brando, Marylyn Monroe and the late James Dean, who all wore Levi's.

Berkeley's Free Speech Movement and the Paris youth riots and were still a few years distant, but early young rebels in the USA were putting on their Levi's as soon as school was over, to thumb their noses at their parents.

In Europe in the early 1960's the **'Le Cowboy'** image of Levi's was so strong that we chose to diversify from merely dull indigo denim to a highly successful line of unisex fashion jeans... especially those made from corduroy in a growing number of colors and sold largely to women who could fit the small men's sizes.

Each new season brought the eagerly sought-after three or four new fashion shades like, pink, violet, burgundy, a gray named Belgian Fog, etc. And these unisex jeans were so wildly popular that the 9 European Levi's subsidiaries (former distributors and a few



started from scratch) would not let us drop any of the existing colors. The sole remaining independent distributor in France was even pressuring us to add new silhouettes, particularly one with patch pockets on the front as well as on the rear (being sold for astronomical prices by French jeans upstart, *Newman*). We should have rejected this style since it was bad enough to have grown the line to 28 colors with both straight legs as well as bell bottoms, in 10 waist sizes and 6 inseams! (Hmm...let's see now, 28x10x6 x2 ...isn't that 3,360 separate corduroy items in the inventory?)

Adding the new model would of course double these astronomical stock keeping units (sku's as they were affectionately called by the bean counters). But The French distributor guaranteed to buy 2 million units of the new style if we produced them in our existing Hong Kong factories. Done and Done!

Can you smell the inventory disaster that occurred as soon as the new 4 patch pocket style hit the fan?

As soon as the new style's first shipments hit Galleries Lafayette in Paris, all of the hip young Europeans doffed their ugly old jeans and clamored for the new ones (in 28 colors, of course). Wrangler's were the first to break price to move their decaying inventories, followed quickly by Lee, and lastly by us. After all, our US factories were still grinding out the old corduroy regular style sausages and our obsolete inventory continued to grow for months before we could cut it off.

By the time this latest American smoke over Europe cleared away, newly public Levi's had to take a \$12 million markdown, and I was "promoted" to Director of Corporate Marketing to assuage Wall Street.

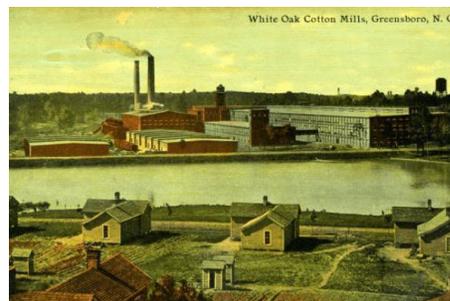
This sad tale spawned a Harvard Business School case study designed to help their new graduates maintain some perspective, and you can read about it in the attached April 1974 issue of Fortune magazine multi-colored corduroy story as “When Levi Strauss Burst It’s Britches”.



I later left Levi’s to become Executive Vice President of The Gap, a new idea in retailing, based on selling only products made by Levi’s, a company that I was involved in starting in 1968 .

Meanwhile back at the Ranch in 1954.....

After I was graduated from Duke University in January 1954, I took a job with Procter & Gamble as a territory salesman based in Greensboro, NC to be close to my fiancé so that we could plan our March wedding in her church in Durham NC, also the home of Duke. My sales territory was all of Guilford county NC and we lived in Greensboro where she had attended the University of North Carolina’s women’s college. My largest account with P&G was the Cone Mills Factory store in White Oak where Cone had a small town of low rent company homes for their employees. Their rent along with all their subsidized purchases from the Company Store was deducted from the employees’ weekly cash envelopes.



Little did I imagine how my future was destined to be entwined with Cone Mills when I joined Levi Strauss and Company in 1964. Nor did I realize that Greensboro was and is the home of Levi’s arch rivals Wrangle Jeans and Lee jeans.

Here is today’s Cone Mills and their White Oak factory as told by Business Week magazine 2 years ago:



Cone Mills White Oak Plant
By Chris Burritt Business Week 5/17/2012

The mill's old-school looms still turn out fabric for jeans prized by denim fans, who covet their imperfections and durability.

“Mickey” Bolen In her 50 years as a denim weaver at Cone Denim’s White Oak factory in Greensboro, N.C., Mildred has lived through layoffs, factory closures, and changing fashions—from the denim for blue-collar work wear she helped weave in the 1950s through the bell bottom era to the skinny and distressed looks that prevail today. Now, in a twist that belies the decades-long slide in U.S. manufacturing, Bolen, 77, finds her skills in hot demand.

http://www.youtube.com/watch?feature=player_embedded&v=uXg0ci2UKIQ

Her employer has retrieved from storage the old-school Draper looms that were retired in the 1980s when denim mills moved en masse to equipment that wove fabric more quickly and cheaply. Today’s denim connoisseurs are demanding jeans like the ones their grandfathers wore, with character and imperfections. And they’re willing to pay up to \$350 for them. The most authentic of those jeans can be made only on vintage fly-shuttle looms, so-called because a wooden shuttle hurls the yarn across the width of the cloth.

Bolen, clad in a smock with three floral pockets for her scissors, quills, and other tools of the trade, is happy to still be working after seeing so many friends leave over the years. Yet she’s mystified by what passes for jeans these days. “People want a ragged look, like they’re wore out to start with,” she says. “Them that got holes in them cost more than those that ain’t.”

When Bolen first started at White Oak in the 1950s, Greensboro was a manufacturing hub that made everything from Vicks VapoRub to Newport cigarettes. In the late 1970s the region’s textile mills and apparel factories began closing, followed by furniture manufacturers that had begun losing sales to China. White Oak’s 107-year-old, red brick facility—America’s oldest working denim mill—has outlived its namesake, a massive tree that stood next to the mill, but much of the sprawling complex has been shuttered. The weave room that once stretched 400 yards is today a quarter as long.

In 2004 billionaire investor Wilbur Ross, chairman of WL Ross, bought Cone Mills and Burlington Industries out of bankruptcy and created International Textile Group. At the time global denim sales were rebounding, prompting Ross to merge two of the biggest denim makers and eliminate duplicative facilities and costs while expanding production in less-expensive emerging markets.

The White Oak facility and its 300 employees (down from 2,800 in the 1970s) survived thanks in part to fashion whimsy. “All of a sudden customers started asking, ‘Where’s

the old look we used to have?’ ” says Bud Strickland, Cone Denim’s director of product development. “As the requests came, we decided to put those old looms back on the floor and try to recreate what we created in the old days.” Cone Mills was best known for supplying Levi Strauss and Co. with their its exclusive 13.5 oz. Indigo denim since 1915 something they did from 1915 until Levi’s began to move production overseas. Positively, Levi’s has recently begun to source some denim from Cone Mills again.

Aficionados crave “selvage,” or “self-edge,” jeans, which are more durable than the modern variety and develop a kind of patina over time. They’re made on narrower fly-



Levi's distinctive red thread selvage

shuttle looms that create a continuous, uncut edge—something jeans devotees can tell instantly from the characteristic edging inside the legs or when the bottoms are rolled up. These jeans began disappearing in the 1970s as U.S. mills switched to high-speed looms to compete with fabric going into cheap apparel. The newer machines operated much faster but produced a less idiosyncratic product. More recently, Japanese companies discovered a market for old-fashioned jeans, which have since caught on with hipsters around the world. White Oak stays open by “targeting a niche business,” says Kenneth Kunberger, International Textile’s chief operating officer. “The only place in the

world where these Draper fly-shuttle looms are running right now is right here.”

That’s why Jeffrey Lubell, founder and chief executive officer of True Religion Apparel, buys most of his fabric from Cone Denim. “They produce very unique denim that you can’t get in high-speed looms,” says Lubell. “‘Made in America’ is extremely important to my brand.”

Levi Strauss is another customer; its vintage collection replicates fabrics from the White Oak mill’s archives.

They fetch as much as \$325 a pair at Industrie Denim, a premium denim seller started last year by Levi’s and Mark Werts, founder of luxe retailer American Rag Compagnie. “Some mills make fabric; Cone makes history,” says Jonathan Kirby, vice president of Global Design at Levi Strauss & Co.

Few buildings are as central to the development of modern Greensboro as the Cone Mills Complex in northeastern Greensboro. The nearly two million square foot complex; including Revolution Mill, Revolution Warehouse, Olympic Mill, Printworks Mill, and White Oak Mill; straddles Buffalo Creek and is key to Greensboro’s historic

development as a national center of the textile industry. These structures combine to demonstrate the city's role as a major industrial center of the American South.

Born in Tennessee and raised in Baltimore, brothers Moses and Caesar Cone organized their textile empire after noticing rapid expansion of the industry while traveling the south on behalf of their father's wholesale grocery company. The two men entered into cloth manufacturing in 1887 when they partnered with C. E. Graham, owner of the C. E. Graham Manufacturing Company in Asheville NC. Moses quickly realized that southern manufacturers needed a local selling agent if they were to compete with northern mills. In 1889, he convinced 90% of southern textile interests to allow him to market their goods through the Cone Export and Commission Company. The firm, established in 1890 in New York City by Moses Cone, later relocated to Greensboro to take advantage of Greensboro's proximity to cotton fields, gins, warehouses, and railroads.



I first met Caesar Cone's son Caesar Cone II, in 1964 when as president and chairman of Cone Mills, he made his annual trip to San Francisco to meet with Walter Haas Senior and his sons Wally and Peter to establish the forthcoming year's denim price for Levi's proprietary 13.5 oz. indigo denim with its distinctive red thread in the narrow goods' selvedge.



As Director of Advertising for Levi's at the time, I was asked to join them for dinner after the prices were set.

Caesar II carried on the Cone family's tradition of making sure his mill workers had a good quality of life until 1973, when he turned over the reins to Lewis S. Morris Chairman and CEO. Like his father, Mr. Cone II was known for his generosity to the Greensboro community and for valuing the inherent worth and dignity of all people.

How I Joined Levi's Where I Would Stay for 10 Years

In early 1961, after P&G allowed Clorox's San Francisco ad agency to bend the rules and hire one of their former advertising department managers, I was asked to be the agency's assistant media director, concentrating on bleach and servicing the Clorox management in Oakland, newly acquired by P&G. I also worked on a few other accounts like Italian Swiss Colony Wine, C&H Sugar, and Levi Strauss & Co makers of Levi's jeans, a major rodeo sponsor. The company was convinced that their consumers were inspired by the "Macho" image of real cowboys. Philip Morris obviously agreed and copied this image for their famous Marlboro



Man, successfully changing it from a small brand favored by women to the world's top selling filter cigarette. Ironically, I suffered a lecture several years later from the man responsible for this cigarette image program, Phillip Morris Chairman Joe Cullman III, who became Levi's first outside director after Levi's was listed on the New York Stock Exchange.

One of my first projects was for Levi's, heading a crew that counted the butts of fans entering professional rodeo's, like The California Rodeo in Salinas, California, and The Grand National at San Francisco's Cow Palace. Our butt watching was to gauge how many were wearing Levi's jeans vs. those of arch-rivals Wrangler and Lee.



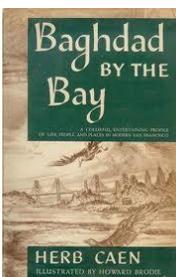
1961 was not yet the 'Dawning of the Age of Aquarius' in San Francisco, and the only flowers in anyone's hair were from spent Cannabis blooms on those Levi's-clad hippy poets at Grant Avenue's Co-Existence Bagel Shop (clients had to be taken there to gawk and use the unisex bathroom with a peephole in the door, but no lock). and at high school dress codes that forbade the wearing of blue jeans to class.

Cowboys' wearing apparel was the farthest thing from their often chemically altered minds. so I tried to get Levi's account supervisor, Bill Day, to shift some rodeo advertising dollars to media favored by these teenagers, like top- 40 radio, but he was not interested.



My real kindred spirit at the agency was Ed Combs, the Clorox account executive, an ex-Nestle product manager and Harvard MBA, and I was soon transferred to the bleach account as Ed's co-account executive. In retrospect, I often think of Humphrey Bogart's immortal closing line from *Casablanca* about the beginning of a beautiful friendship, because that's exactly what it became.

Two busy and exciting years later, Ed, determined to return to the international business career he had started at Nestle in Switzerland, took a job as Time Inc.'s first European manager. A few months later I accepted an offer to help make Texize, a Greenville, South Carolina bleach and soap company into a national presence and did what Thomas Wolfe said not to do; went home again...to the Deep South. The agency offered to make me account executive on Levi's if I would stay, but, counting butts and butting heads with Bill Day didn't interest me.



On my frequent trips to New York, where Ed was in training at Time Inc., we would drink beers near his Greenwich Village townhouse and reminisce about San Francisco, often regretting leaving *Baghdad by the Bay*. One night Ed announced his return to San Francisco as General Manager of the newly established International division of Levi Strauss & Co, whose

owners felt a need for consumer brand management expertise to format their growth.

I was green with envy at his return to San Francisco, but uneasily wondered if he wasn't making a major mistake going to work for a cowboy pants company.

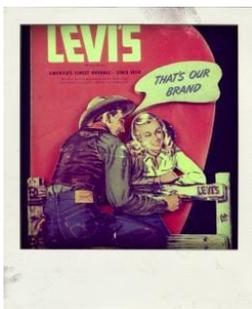
Then one night in 1964, Ed called and ordered me to San Francisco ASAP to be interviewed for Advertising Manager of Levi's, having convinced their management that I was the man for the newly created job. And so my 10 wonderful years at LS&Co began.

Meeting Wally and Putting on My First Levi's

My first meeting was with Levi's President, Walter Haas Jr., who, like Ed had earned an MBA from Harvard. I was both charmed and inspired by "Wally", as Levi's president insisted he be called, and I soon became a believer in the future of the company under his and Ed's leadership. I carefully explained my reticence about fighting Wally's father and his friend Bill Day to redirect Levi's entire promotional effort as I felt it should be, but Wally said I would be reporting directly to him and guaranteed to back me 100%. He assured me that Bill Honig would also, and added that Honig was simultaneously interviewing a new account executive, a Canadian MBA, named John Johnson, from Lever Brothers. Although John would work under Bill Day, he would work directly with me, should we both join the fight. I gave Wally my conditional acceptance, pending a discussion with Bill Honig the next day.



Lunch with Bill (replete with crab, sourdough bread, and wine) centered initially around Bill Day. I learned that the agency management, as well as Wally, were as frustrated as I had been years earlier with Day's refusal to consider advertising directly to the youth market (the only youth concession that Day had allowed in the past 3 years was to show teens dressed as cowboys, sitting on a corral fence as a horse was broken to the bit).



Honig said that if I took the Levi's job, he would change its reporting structure so that he would become the agency's chief management contact with Wally.

But, Honig wanted to table the youth issue and discuss the immediate Levi's project on the agency's docket, the introduction of a new Levi's product called *Sta-Prest* slacks. Bill explained that *Sta-Prest* was a revolutionary permanent press process for which Levi's had obtained an exclusive license from inventor Joe Koret, a fellow San Francisco apparel manufacturer. Joe was the owner of Koret Ladies



sportswear, and had developed and patented “*Koratron*”, a permanent-press process which actually baked the garments in an oven, to help market his popular, but maintenance-heavy, pleated skirts.



Years later, I discovered that Joe had “borrowed” the idea from a major British fabric supplier, who had developed it for an English pleated skirt firm. Ironically, Adrienne Jonas, the English secretary to Levi’s new casual pants merchandiser had been laughed at for suggesting that her newly purchased British skirt’s permanent pleats might be adapted to Levi’s casual pants. This, of course was prior to Joe’s US patent.

Levi’s, frustrated in their weak attempts to sell casual slacks, saw permanent-press as a way to become dominant in the washable slacks market. Plus they could use *Sta-Prest* to expand their jeans distribution in major department stores by requiring them to stock Levi’s jeans if they wanted to have a 6 month market exclusive on the new miracle *Sta-Prest* pants.

So, Levi’s had approached Joe with the idea to adapt *Koratron* to men’s cotton slacks, and pushed him hard for an exclusive 6 months license before he would let other pants companies have a license. The only difficulty with the negotiations was that Levi’s insisted on calling the process *Sta-Prest*, a name they had hurriedly registered, but this was soon resolved by Levi’s agreeing to use Joe’s *Koratron* hang-tag on each garment, and credit *Koratron* in their ads.



Using typical P&G daytime soap operas, *Sta-Prest* was to be advertised to mothers on TV, and in newspaper ads paid for by carefully pre-selected major department stores granted an exclusive for their market’s introduction (particularly those who had not yet stocked Levi’s jeans). A team of Levi’s executives had just returned from spanning the country with portable clothes dryers in hand where they demonstrated the *Sta-Prest* miracle to the selected department stores in their executive offices. As the presentations began, they put a pair of wet *Sta-Prest* pants in the portable dryer, which



ran noisily while the merchants were obliged to watch a slide show describing the process, timed to end with the dryer’s loud finishing signal. Honig said that every store was amazed when the perfectly pressed Levi’s emerged from the dryers. They not only enthusiastically signed up for an exclusive local introduction of *Sta-Prest* slacks, but also took the “suggested” Levi’s jeans assortment.

They even acquiesced to pay 100% for their local newspaper ads and to be featured on Levi’s local TV spots, unheard of by vendors like Levi’s who refused to pay “co-op” money as a condition of sale.

Excited by this major new P&G-type program, I did relegate the youth question to the back burner and accepted the job from Wally that same day. I was passed between various top Levi's managers for their stamps of approval, and the deal was sealed.

When I told my Eastern marketing friends and associates of my move West to Levi Strauss & Company, they unanimously asked "Who...?" and when I described the



unfamiliar firm's products, they added "a DUNGAREE manufacturer...?...you've got to be kidding!" But, knowing my love for San Francisco, they graciously attributed my madness to "The City's" famed sourdough bread, wine, and crabs (not completely irrelevant to my decision!)

Peter Haas, who was running the operations side of the company (while Wally specialized in Marketing), mandated an initial two week cross-country drive from South Carolina to the Golden Gate, replete with stops at two Levi's distribution centers, the new ovens for baking *Sta-Prest* slacks in Knoxville Tennessee, and six southern sewing factories. By the time I re-crossed the Golden Gate Bridge, I felt like a veteran ragman or "*Schmata-man*" as we disparaging called ourselves in the Yiddish vernacular.



Digging in on the TV commercial planning for the post-introduction *Sta-Prest* spots, I had the agency do some focus group research with local teenage boys to learn their attitudes about pants as well as their family's laundry habits. A focus group is done by professional researchers behind a one-way mirror, like those favored by police interrogators, where a small group of the target market is led in a group discussion designed to elicit attitude responses. We discovered that a surprising number of young men at the time were ironing their own cotton slacks (Khakis primarily) prior to a date.



We also confirmed that most either directed the specific clothing brands to be bought for them by their mothers, or they did their own shopping. This was all the ammunition I needed to change the *Sta-Prest* television commercials from the planned P&G-type "Slice-of-Life" directed to mothers to those aimed straight at

teenagers on such programs as Dick Clark's *American Bandstand* and the new "Hootenanny" on ABC.

So, my back-burner plan to advertise Levi's to young rebels actually started by encouraging young men to become sex objects (much like today's beer commercials) by wearing ultra-neat Levi's *Sta-Prest* slacks on their dates. The first spot was called "Hey...There's a Neat New Guy in Town", which, not too subtly, implied that you might get into her pants if you got into our pants.

The next plank in our rush to becoming a Youth Icon, was generated by our teen customers' own tricky dodge around those school dress codes that forbade wearing blue jeans to class. These young rebels were bleaching their Levi's to the extent that they became almost white. As soon as this ploy made the news, Levi's jumped up with a new product dubbed "White Levi's", an exact copy of their blue jeans, but made in light canvas colors and offered with the new *Sta-Prest* feature. This was a reverse play on the 1950's pre-dirtied white buck shoes that were offered to "Joe College" as a short-cut to being "hip".



To reinforce this new, more acceptable school garment, I mounted a major letter-writing campaign to every public and private high school we found with a "no Levi's" dress code. Our letters acknowledged their right to set dress standards, but enjoined them to refrain from forbidding blue jeans by using our protected trademark "Levi's" in a generic sense. We pointed out that the name Levi's also meant perfectly acceptable neatly pressed White Levi's, and of course the famous *Sta-Prest* slacks. We even offered to give them pre-printed colorful brochures that communicated to the students, in their own jargon, what type of Levi's were acceptable school wear. The program was highly successful and with the students help, many school's dress codes were soon relaxed. The following quote is from an educator's recent talk regarding the 60's dress codes: *"Like most people who grew up in the 60's, I'm a veteran of the culture wars. One war I particularly remember was the battle we fought in high school over dress codes. When I was in 12th grade I participated in a massive sit-in on the lawn to protest our school's "rigid and archaic" rules about what students could and could not wear to class. We had a short but forceful list of demands:*

- *girls should be allowed to wear pants and should not be required to wear hose;*
- *boys should be allowed to wear jeans and t-shirts.*

To our great amazement, we won the battle: all of our requests were granted.

I remember one elderly teacher - she was probably about 50 - shaking her head telling a group of us that we would all rue the day that dress codes were abolished. "When students start wearing sloppy clothes, they'll start behaving in sloppy, disrespectful ways," she said. "You watch and see what happens to the way students act around here."

We, of course, ridiculed the idea that the way you dress could influence the way you behaved. But in recent years, as I've seen more public schools turning to uniforms, and heard the way kids talk to their teachers and to one another, I've wondered if that teacher wasn't right after all."



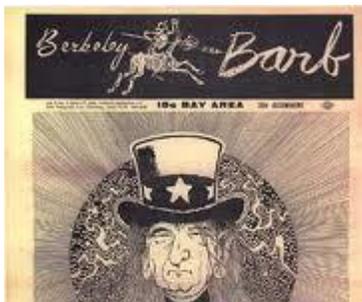
Most of this new agency activity was opposed by Bill Day, or started behind his back by John Johnson and me, but when he learned that the agency had started seeking out new San Francisco acid rock bands to do Levi's radio spots, he decided to confront the issue head-on. He began by bending Walter Haas Sr.'s ear on the way to work about how these two young outsiders (John and I) were destroying a revered brand name by attempting to get in bed with drug addicts, juvenile delinquents, and draft dodgers. Bill urged Walter to stop us before it was too late. John had even heard that Bill Day was about to fire him or take the account to another agency, without him. But on the next Sunday after Bill had launched his attack, John called my home at 8am and announced that Bill Day had died in his sleep (With his Cowboy Boots on??).



And so, with this sad news, Levi's headlong advertising rush to get close to the youth of America proceeded with no further impediments. After a suitable mourning period, Walter Sr. called an unannounced board meeting, including all department heads, to discuss our new youth image program, and was pleasantly surprised to learn that virtually everyone approved of the direction we were taking.

As a direct result of that meeting we closed the money losing authentic Western Wear division, the sole purpose of which had been to maintain Levi's cowboy image, and transferred its manager to head of fabric quality control, mainly denim from Cone Mills.

Levi's Presents...The Jefferson Airplane!



The newly unfettered Levi's creative group at Honig Cooper was challenged to pull out all the stops in their thinking and devise new ways to promote to the new young rebels who were driving Levi's growth. Underground newspapers like The Berkeley Barb were flourishing as a new youth medium and psychedelic art posters were adapted to Levi's print ads. Embroidery on jeans was getting popular and Levi's

sponsored art contests using the product as the canvas. Jeep introduced a Levi's model with denim seats and leather trim. School notebook covers made with the distinctive Levi's back pocket were sold. Levi's sponsored Battles of the Bands, popular local high school competitions, and because "hot-dog" skiers were wearing jeans on the slopes, Levi's began a junior ski competitions at major resorts where the entrants had to compete in Levi's jeans.





But far more challenging was finding a way to become an actual part of the rock music scene that was such a compelling element in youth's new separation from The Establishment. Dealing with the top-40 radio stations of the day, which had had the power of life or death for new rock groups, was a tricky business. Most of them were basically whores, or rather pimps, for their top disk jockeys (or Jocks as they were known) who had local cult followings at least as great as that of the

stars they made by promoting their records. These stations still charged advertisers based on whatever the market would bear, and had just been hit hard by government scrutiny of their business practices. These headline grabbing inquiries and congressional hearings resulted in the passage of a strict new "Payola" law, whereby, record companies could no longer pay these star jocks to promote new groups and records, regardless of their "merit".

The world Payola was coined to describe the bribes Jocks routinely took to give a new group air time. Payola" is a contraction of the words "pay" and " Victrola" (LP record player), and entered the English language via the record business. The first court case involving payola was in 1960, when, on May 9, Alan Freed, arguably the country's top rock and roll Jock on New York's WABC radio, was indicted for accepting \$2,500. Freed claimed it was a token of gratitude and did not affect airplay. He paid a small fine and was released. His career faltered and in 1965 he drank himself to death. In 1986 Freed was among the original inductees to the Rock and Roll Hall of Fame in Cleveland, and in 1991 a comprehensive biography, Alan Freed and the Early Years of Rock & Roll was published. That same year, Freed received a star on Hollywood's Walk of Fame.



Before Alan Freed's indictment, payola was not illegal; however, after the trial the anti-payola statute was passed under which payola became a misdemeanor, with a penalty up to \$10,000 in fines and one year in prison.



But we were in San Francisco, not New York, and our eventual answer to joining the rock scene with our Levi's brand image advertising was all around us. During the 1950s and 1960s, San Francisco had gained a reputation as the preeminent Bohemian community in the United States. This reputation was never more deserved than during the mid-sixties, when the hipster of the Beat movement grew into the hippie of a more mainstream counter-culture. By the 1960s, the literary North Beach scene had given way to the emerging Haight-Ashbury, and radical politics had a niche across the Bay at the University of California at Berkeley. San Francisco's venerable Fillmore Auditorium was the new center of the The City's "acid rock" revolution.

Audiences experienced musical and cultural renaissance that produced some of the most innovative, exciting youth music ever to come out of San Francisco. The careers of the Grateful Dead, The Jefferson Airplane, Santana, Quicksilver Messenger Service, Big Brother and the Holding Company, Moby Grape, the Butterfield Blues Band, and countless others were launched from The Fillmore stage. The most significant musical talent of the day was appearing there: Jimi Hendrix, Otis Redding, Cream, Howlin' Wolf, Captain Beefheart, Muddy Waters, and The Who, to name a few.



Finally, the agency came up with a truly radical way for Levi's to become an integral part of rock and roll itself, legally using the nation's top-40 radio stations' local cult status, who could no longer be bribed to play a new record.

They proposed that we get involved with promoting new local rock groups just as they were on the cusp of national recognition, and have them actually write and produce the radio spots for us in their group's own style. We would simply give them loose copy guidelines, placing restraints only in the areas of taste and potential censorship by the stations. Then we would require them to make at least twice as many different spots as we actually wanted so we could cull out the best for consideration. They would be paid a modest up-front fee for their work, enough to cover their time and expenses, and would they get a standard commercial contract only if we accepted the work for broadcasting.

The main incentive to the group would be that, if aired, the spots would clearly identify the name of the group at the beginning of each commercial and Levi's would run saturation schedules on every top-40 station in the country, tied in with Levi's store promotions and personal appearances by top Jocks. These promotions would be negotiated by the agency before signing the air-time contract.

Since the spots would showcase the group's name and style, Jocks would be virtually forced to discuss and play their new albums.

We had discovered legal Payola! What a brilliant concept! So we gave the green light and the agency quickly honed in on The Jefferson Airplane.



The Jefferson Airplane, which became one of the most popular psychedelic rock bands of the 60's, was formed in San Francisco in July 1965 by Marty Balin as a sextet and was soon joined by Grace Slick, a sexy-voiced vocalist/songwriter who had just folded her own band, The Great Society. The Airplane, as they were known locally, had played the in the very first show that year at Bill Graham's Fillmore Auditorium, landed a deal with

RCA Records for \$25,000, and just released their first album, "Jefferson Airplane Takes Off"; but the group was still largely unknown outside California. They were very popular in the Bay Area, performing at the Fillmore with other local acts like Big Brother and the Holding Company, Paul Butterfield, Quicksilver Messenger Service and the Grateful Dead.

Bill Graham was a veteran of the local artistic community, but his greatest talents were his keen business acumen and his ability to organize events. In 1965, Bill managed R.G. Davis's San Francisco Mime Troupe, whose "Commedia Del 'Arte" production of *Il Candelaio* was deemed "too risqué" by the San Francisco Parks and Recreation Commission, but they performed it anyway and were subsequently busted.

Bill staged a benefit for the group's legal defense at the Fillmore to raise money for the troupe and to increase awareness concerning growing censorship. To lure a crowd, he enlisted several aspiring new local rock bands and even got Bob Dylan to promote it.

Thousands flocked to the Fillmore, and the general mayhem created an event which ignited the hippie community. Inspired by the success of the event, Bill staged the Fillmore's first non-benefit concert in February 1966 headlined by The Jefferson Airplane and marking the true beginning of Bill's rock impresario status and acid rock's enshrinement of the Fillmore. By March, the youth happenings were a huge phenomenon, which the police didn't like at all, so Bill's request for a dance hall permit was denied and a subsequent police raid on the unlicensed Fillmore happenings resulted in the arrest of 14 juveniles and Bill Graham himself.



Public pressure resulted in charges against Bill being dropped and the Board of Permit Appeals reversed its decision, certifying Bill as a "dance-hall keeper."

It was into this newly legitimate den of rock and roll's subculture that John Johnson and I boldly went, naively assuming that Bill, who was The Airplane's manager by now, would eagerly accept our offer to have the band sign a national radio commercial



contract to do Levi's spots. After all, the band lived in the product as did Bill, and the money we offered was good. Maybe our button-down shirts and ties set him off, but ignite he did, and, as he told us where to put the contract, he threatened to throw us out bodily. "There's no way the Airplane is going to sell out to the "Establishment"" (the author's censored version of his epitaphs). We finally

managed to calm him down and when we explained exactly how we wanted them to participate, he began to warm to the concept.

Knowing that The Airplane's first album was in early release from RCA and was not selling too well due to their lack of notoriety outside the Bay Area, we proposed the following:

- Using only a brief list of product points we wanted to convey, we wanted them to write and produce the entire contents of five 45 second spots, words and music.
- We would dub the beginning of each spot with "Levi's presents The Jefferson Airplane" providing the group with priceless national name recognition,
- Levi's would run saturation schedules on all the top-40 radio stations, timed to coincide with the early 1967 release of their second album, "Surrealistic Pillow",
- Levi's would not attempt to exploit the group in any commercial way, other than using the spots for a six month period, after which The Airplane could re-sign for more commercials at their option.

Being a good businessman, Bill agreed to talk to the group and get back to us. They agreed and we signed them a few days later for much less than the \$25,000 that RCA had given them.

In less than a week Bill called us to come to the Fillmore and hear the results of a single all-night creative burst when The Airplane had produced a dozen studio-quality 45 second spots.

We sat is awe as the thunderous words and music shouted our products features. The Airplane had made Levi's sound as if they were as important to a young rebel as his love of the music and distain for conformity. I couldn't believe that they had done this tour de force in just one night until a younger member of Honig Cooper's creative staff suggested that they probably had help from a muse named "Mary Jane" (a popular euphemism for marijuana).



We ended up spending more time picking the best 5 spots than they did in making them. Not trusting our buttoned-down minds to be the sole judges we decided to use our favorite focus group technique to let the customer tell us which were best. Too bad we had agreed to use just 5 spots, because Bill was keeping us to that pledge. The young ears that screened these gems agreed that each was like a mini-song and no two were alike, but we all voted and two stood out above all the rest:



Grace Slick singing nothing more than the names of the five colors of the new White Levi's to an excellent take-off of her surreal "White Rabbit" music track from the new album. White Rabbit became a Billboard top ten hit on the charts for weeks, later that Spring. And, in the other winner, there was a strong Airplane acid rock track with no words at all for 20 seconds after the intro, which suddenly stopped to a loud "Quack! Quack!" followed by... "I am a Duck...I can't wear Levi's... you are probably human You have all the luck!" (fade to retailer tag)



(Disc 2) 16 - The Levi Commercials (2).mp3

When we proudly previewed these gems at the next weekly Levi's management meeting, there was a stunned silence from the older contingent, but the younger ones were smiling and waiting for Wally's critique. "Well" he said, "I guess the agency knows what the kids like...Let's go with it!" But after the meeting he asked for a copy to play for his and Peter's kids to see for himself. Fortunately, The Airplane proved worthy to them.

We immediately approached each major top 40 radio station, most of which had serious local competition, with a big spending proposal, telling them that we were "considering" their station, but would spend on the stations that offered us the best overall deal. These stations were constantly fighting each other for market share by staging dances, shopping center remote broadcasts, celebrity interviews, etc., and freely offered sponsor participation as a quid pro quo. We usually settled for a major promotion that would involve their celebrity Jocks, our retailers with the station's coordination, but under Levi's control. Then we legally offered the exclusive promotion to the stores of our choice by making the radio station the source of this valuable co-op money. One of the most popular items in these promotions was a 45 rpm record made from the master commercial disc that Levi's sent to the stations for broadcasting, The Airplane's Levi's spots. Those 45's were gobbled up in record numbers, and today would be a collector's item if you could find one.

You can hear two of these historic spots on track 16 of The Airplane's 1987 RCA release, "2400 Fulton Street: An Anthology", an otherwise unremarkable release according to some fans; witness the following online review:

"The collection "2400 Fulton Street" is a decent survey and worth looking into for the "musical roots" of the awakening of America. It's worth the struggle through the cheese, when it got way too commercial and became pure crap, but the old Levi's commercials' tracks are pretty cool".

Levi's and The Airplane took off like a rocket, but they declined to do any more commercial for us or anyone else, including



turning down big money from Coke. It seems that their fellow rock performers and many of their oldest fans were very critical of The Airplane's flirt with "The Establishment", especially the fact that they had lent their signature music style to the commercials.

The San Francisco Chronicle explained this attitude of the bands of 1960's: *"Commercialism was condemned and selling out was a horror, but every San Francisco rock'n'roller had to decide whether to sell out or change the world, and some decided they could do both at once. For example, the Jefferson Airplane, who did Levi's commercials, then went on to sell out to future spaced-out generations by changing their name to Jefferson Starship"*

The Airplane's sudden fame was also keeping them busy with TV appearances and road trips, so Levi's de-planed after the 6 month deal ended.

We attempted to continue this radical new form of radio advertising with similar efforts solicited from other new groups like The Sopwith Camel, Country Joe and The Fish, The Grateful Dead, The Sons of Champlin, and Paul Revere and The Raiders, but none approached the impact of The Airplane. They all tried to make actual commercials instead of just being themselves as The Airplane had, and they were mostly too contrived, so very few similar new spots were made.

Levi's continued to seek out new young music talent, but concentrated on outfitting new bands with Levi's rather than using them in commercials. Network television advertising was getting more and more of our budget as we grew from a regional to a truly national brand, and youth-oriented TV programming was expanding rapidly.



The Conquest of Cool by Thomas Frank, (University of Chicago Press October 1998) recalls the marriage of the 60's turmoil and Menswear retailing with this opening paragraph: *"For as long as America is torn by culture wars, the 1960s will remain the historical terrain of conflict. Although popular memories of that era are increasingly vague and generalized—the stuff of classic rock radio and commemorative television re-*

playing of the 1968 Chicago riot footage—we understand "the sixties" almost instinctively as the decade of the big change, the birthplace of our own culture, the homeland of hip, an era of which the tastes and discoveries and passions, however obscure their origins, have somehow determined the world in which we are condemned to live".

And while this was happening, I was turning Levi's advertising attention more and more to retail co-op advertising as we rapidly gained distribution with the major department stores, who all demanded, and got, big advertising spending by their major vendors.

Getting in Bed with the Big Stores

Levi's had for years provided their independent retailers with "ad mats", a term used for an actual Paper Mache mold from which a newspaper could make a lead printing plate. This service was free, but, of course dictated the exact style and content of the ad. All the store could do was add their own name and address and a small amount of copy. This was fine for small retailers, but department stores had their own advertising departments, produced all their ads, and were supported largely by major co-op dollars from their vendors. Some more aggressive stores actually made a profit from their advertising department. The practice was rife with coercion and actual fraud, when it came to proving how much they had spent on a vendor's ads. Plus many deducted these unsubstantiated ad costs from their usually late merchandise payments with no proof of spending at all. Many smaller apparel manufacturers were totally at these big stores' mercy on co-op deductions, so the survivors had built hefty margins into their prices to cover it.



Levi's had refused to play this game by not offering co-op money to any store, but then, they had done so little business with department stores prior to the 60's that the question was moot.

Now, the resounding success of Levi's Sta-Prest and the new wave of young shoppers demanding Levi's jeans from these stores was making co-op spending loom large in every discussion with a major store. As the inevitability of starting a co-op program loomed, I embarked on a swing around the country meeting with Advertising Managers of all our major new accounts to help understand exactly what we could afford that would help solidify our position as a "Major Preferred Vendor". Complicating the issue was increasing scrutiny from federal Anti-Trust and Fair-Trade watchdogs. In general, sections 2(d) and 2(e) of the Robinson-Patman Act require that a seller offering payments to resellers for promotional services or providing such services is obligated to make the offer to all competing customers on proportionally equal terms



To avoid their wrath, a co-op program had to meet at least the following criteria:

- The offer to provide anything of value to a customer must be offered to all customers in a given market, defined as the US Census Standard Metropolitan Area (SMA). So you couldn't do one thing in Manhattan and another, or nothing, in Brooklyn.
- The offer must be in writing and distributed to all customers in the SMA.

- Both the vendor and the merchant were required to keep auditable records of co-op spending.
- Both parties were enjoined from making co-op dollars a condition of sale.

Virtually all department stores abused and/or ignored these rules and few were ever brought to task over the issue.

So we did learn how to play the game and Levi's launched their, first-ever, new co-op program in 1966.

Of course, Honig Cooper, like all agencies, was opposed to co-op because it ate up clients' advertising monies that became unavailable to them to spend. In those days virtually all advertising agencies were paid a 15% commission on the money they spent on behalf of an advertiser in reputable media (plus actual net costs of production material). This commission was remitted to them by the media as a discount from the published rate cards. So a retailer got the same discount for his ads as an agency earned for its clients, but not both for the same ads.

From zero dollars spent on co-op programs in 1965, Levi's retail ad budget mushroomed to over 25% of its annual total by 1968 and threatened to continue climbing as big stores became more important to Levi's. Our national brand image program was actually contracting as co-op expanded, but we were certain it was helping build our national distribution, so we simply tried to control it as best we could.

We experimented with legal ways to work with a major store who wanted to do special advertising that we thought would benefit the brand, and found one that worked. We published a special offer to all Levi's customers in the store's markets and which paid 50% of all production material, but only for the specified time period that the big store needed for the project. We labeled this special offer as a test that was available only in the specified SMA. Usually no other store was able to take advantage of the offer with such short notice, so we were able to legally pay production cost co-op for just the targeted store's special program.

In 1968, the success of this "test market" approach lured us into a major debacle in Chicago when we did a similar market-wide test designed to impress the 10,000+ prestigious menswear stores attending a major apparel show. We wanted these stores' management to see Levi's ads being run in The Chicago papers each day by their local contemporaries during their stay in Chicago.

Even though Levi's was rapidly gaining new distribution, we still felt like poor country cousins to the many prestigious menswear



stores and their quality vendors who exhibited their new lines with impressive presentations at the Menswear Retailers of America (MRA) annual conventions. MRA was the official organization of the leading upscale independent menswear stores that were so dominant in post-war America. These stores felt that Levi's were just an insignificant teenager's product, but the Sta-Prest line was rapidly expanding to include more tailored slacks for men in a new group named "Mr. Levi's" and we desperately wanted the attention of these prestige stores.

The 1968 show was scheduled for Chicago, where we had fairly good distribution, so we decided to offer all local Levi's retailers a special co-op deal to last only during the 5 days of the MRA at McCormick Place. The deal was that Levi's would pay 100% of the expensive color premium that newspapers charged in addition to 50% of the regular black and white rates, for any store that would run a full page color ad for Levi's during that period. We felt pretty safe in making this generous offer, since the cost of producing color ads was much higher than black and white, and a full page ad was too expensive for smaller stores anyway. Only the largest of Levi's specialty and department stores were spending this kind of money for single ads and most of them had the in-house ability to produce 4-color. And, of course, Levi's was not paying for production costs. So, routinely, we mailed the special offer to all Chicago area Levi's account several weeks prior to the show.

The day the show opened, I was up early, in spite of having worked well past midnight overseeing the setup of Levi's expansive (and expensive) display booth at the convention center. Our display was festooned with huge geometric piles of square cardboard boxes printed on all sides with our new magazine ads. I eagerly open that day's Chicago Tribune, and was astonished to see 8 full page Levi's 4-color ads from small stores I never heard of,



plus 2 from major stores. The less expensive tabloid Sun Times had 12!



Over the next 4 days, Levi's was definitely the talk of the entire show, as each day's papers shouted Levi's from an eventual total of over 50 pages of 4-color ads, many of them from the prestigious stores we had "targeted", but most from smaller stores with strangely similar ads. I soon

discovered from a visitor to our booth that an enterprising art studio had gotten its hands on our written co-op offer and convinced his bosses to produce a selection of full page color ads for Levi's that met our requirements. They gave these production materials free to any small stores who agreed to run a full page ad, and subsidized this by getting a special commission from both papers for selling the ads on their behalf.

After all the bills were paid for this debacle, I had spent over \$100,000 of Levi's co-op budget in 5 days, and had to promise Wally to never again offer a "test market" deal to cater just to department stores.

Putting this \$100,000 into perspective, Chicago's SMA population was 4% of the US, which projects the Chicago one week expenditure to \$2,500,000 if it were national, and over \$100 million if it were repeated weekly. This amount would surely have earned a place in the record books.

Levi's "Rolls Royce" Ad



As wearing Levi's jeans quickly became "hip" or "chic", celebrities like Marilyn Monroe, British Royalty, and even President Jimmy Carter began wearing 501's, the button fly original version of Levi's. This phenomenon, in turn, quickly moved Levi's and all other jeans from the 60's "Sub-Culture" to the mainstream masses that were influenced by fashion leaders.

There are several negative product aspects of 501's that make the goal of owning a well-worn pair quite tedious, and contribute to their mystique.

- They shrink a significant amount in the length and only slightly less in the waist, so the buyer must buy them 2 inches bigger in the waist and 3 inches longer if the product is to fit well after washing.
- They also shrink all over, resulting in a much tighter fit than when new (most females like this feature), hence the Levi's slogan "Shrink-to-Fit".
- They will also mold themselves to one's body if they are put on wet and allowed to dry while wearing them. The action of salt water contributes to the worn look and is also effective in setting the indigo dye somewhat, so it was common for early surfers to wear a new pair while in the water on their boards.
- When new, Levi's exclusive Cone Mills XX heavy weight denim is as stiff as a board, and only relaxes after frequent wearing and washings.

- The Indigo dye used will fade (called ‘crock’) into anything that is washed with a 501, so they must be washed totally separately for many times, before the dye dissipates.
- The fly is buttoned, not zipped, and quite difficult to handle until the fabric finally softens.

Prior to 1968, the major stores in the East who were selling Levi’s jeans, had eschewed 501’s as being too much like a hardware store item, and had had stocked only the versions that featured pre-shrunk denim and a zipper fly, and even some models that were “vat-dyed” to prevent fading. These products sold well enough to Easterners who had never seen 501’s, but we soon began getting frequent letters from Eastern customers who wanted to buy the “real” Levi’s.

On a flight home from a visit to Macy’s where we had failed to interest them in stocking 501’s, I saw a Rolls Royce ad in the New Yorker magazine that gave me the germ of an idea. The ad’s headline made a simple product claim:

“At 60 miles per hour, the only sound you hear is the ticking of the clock.”

In the center of the ad was an illustration of the latest Rolls with detailed copy explaining each unique feature of the car. I don’t recall another ad that was so compelling and informative, drawing the reader into each separate story, all of which served to justify the extraordinary, unmentioned, price. And the tag line at the end of the ad was a clincher...”Of course if you are diffident about driving a Rolls, we can offer you the Bentley”.

The special appeal to me was that the ad broke almost all the existing “rules” which most copy writers followed, mainly of brevity, and concentrating on a single major selling point, three at the most.

When I showed the ad to Levi’s creative director the next day, with the suggestion that they might copy the style, I was, naturally rebuked.

No agency likes the client to dictate creative content...that’s what they get paid for. But when I explained what I had just run into at Macy’s New York while trying to interest them in being the store to introduce 501’s in the East, they began to warm to the idea. It had been made obvious to me that a now-routine Levi’s special co-op program was not enough to get Macy’s to stock 501’s, and the mere hint of putting them in on consignment was unthinkable to Levi’s.



What we needed to do was motivate New York consumers to demand the product from their favorite department stores, and that usually meant heavy advertising. And if the consumers responded and couldn't easily find the product, the money was wasted and no one was happy. But my P&G background told me there must be a way,

We hashed the problem around for several hours and reached a consensus:

- The New York Times Sunday Magazine would be our medium for the NY assault.

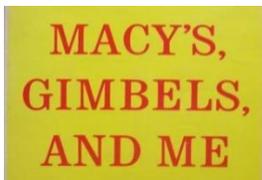


It was not only equal to the New Yorker magazine in its quality content, but it had become a major national fashion chronicle, read religiously by apparel retailers and fashion leaders everywhere. It also had the virtue of being saved by the typical Sunday Times reader long after Monday's trash caught the rest of the paper. I justified the high, unbudgeted, cost by canceling one Women's Wear Daily trade ad and borrowed the rest from co-op funds.

- A consumer **One Dollar Off** mail-in coupon would be included in the ad, unheard of in the apparel industry at the time, which would be redeemable only at the stores which carried 501' in Metro New York.



- We would not limit our ad to just one major store, but



would feature all major stores that agreed to buy a pre-set and sizeable initial stock of 501's. We were actually asking Macy's and Gimbel's to be in the same ad...along with Abraham & Strauss, Bloomingdales, Lord& Taylor, and Bonwitt Teller. This was retail heresy!

- I would ask Levi's for a \$.50 per pair retail price increase to help pay for the coupon and follow-up promotions, (The existing suggested retail price for 501's was \$6.25, and price changes to the sacred cow, which had never exceeded, \$.25, required board approval).
- The project was to be kept confidential until we all had a chance to see the ad and I could present it to Levi's management at the same time I asked for the price increase.

They developed several very compelling ad concepts, but clearly the best was a direct copy of the Roll Royce ad, but with a creatively reversed negative headline claim:

“Guaranteed to Shrink, Wrinkle, and Fade”

Each negative feature of 501's was bulleted and explained in small copy boxes, just as the Rolls ad extolled positive features. Both pages were crowded with boxed copy, but each spoke to the center illustration of a well-worn and faded pair of Levi's Original, XX denim, five-pocket, buttoned fly, riveted, shrink-to-fit, free-pair-if-they-rip, 501 jeans!

And, the lower right corner had a coupon for a \$1 dollar refund if they would send a receipt to Levi's, dated within 2 weeks, from any of following stores...

It was gorgeous!

I hurriedly called a Levi's management meeting to present this surprise project that we had kept entirely under wraps, and phoned each board member to assure their presence. A packed boardroom got the entire pitch before the agency unveiled the ad.

After each one had time to follow the reading of all the copy, and the coupon details, I sprung the price increase request on the board. After all the pointed questions about the ad itself were answered, Wally said, "I love it and we will definitely run it, but you don't get the price increase" Then I told the group that I had the ad cost covered already, and since there was a 2 week limit on the rebate coupon, it would undoubtedly be a minor price to pay for the new distribution.

I went with the National Sales Manager to pitch the stores, and we came home with firm orders from Macy's, Gimbel's, A&S, and Bloomingdales, all agreeing to share the space (definitely a first!)

501's had successfully crossed the Rubicon (Mississippi), and while some of this new Eastern distribution of 501's was replacement sales from zippered models, most of our sales were to totally new customer.



AVOIDING TENNIS AND MEETING JOE CULLMAN III

I found my time was being spent more and more with key accounts, and with the myriad of outsiders eager to profit from Levi's new national prominence.



Each new major customer proposal involved them looking to Levi's as the key vendor that could help them to lure teenagers into their stores. Yes, big stores were finally looking to the newly emancipated teenagers as a huge potential revenue source and were seeking them out, rather throwing them out.

New departments were springing up everywhere with loud colors, the latest teen fashions, younger sales clerks, and even rock music blaring in the aisles. Special events were all the rage to draw young customers, and Levi's store promotions became more and more important. Frequently store Presidents and top merchandisers would visit our offices to meet with their Levi's counterparts and plan the following year's sales increases. We were fast becoming a "Major Preferred Vendor", and entire Levi's departments were springing up in these flagship stores. Of course, they always had their hands out for more and more cooperative efforts to build their business with us, and we did our best to accommodate them.

One of my less enjoyable new responsibilities was when Wally asked me to "handle" certain people for him. Most of those, increasingly referred to me for quick dispatch, were friends or social acquaintances who wanted something from Levi's and Wally didn't want to be the bad guy who declined to help them.

The simplest cases to discourage were those who wanted us to advertise in media inappropriate to Levi's new youth marketing focus..."Thank you, but we no longer support cowboy events...etc...click!"

Some, like Wally's sister-in-law's boss, Gladys Heldman, the publisher of World Tennis, a new tennis magazine aimed at professional players and their fans, used larger caliber weapons to gain access to our budget.



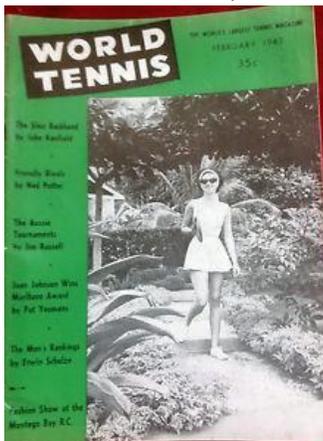
Gladys had gotten Joe Cullman III, the Chairman of Phillip Morris, a tennis playing pal, to advertise his cigarettes in her first issues. In fact, his established brands, as well as the new Virginia Slims were virtually the only ads she had gotten so far in World Tennis' initial issues. Wally was an inveterate tennis player, having

been on the varsity team at Cal Berkeley, and he had played occasional games with Joe in New York. So Gladys had Joe, via Wally's wife Evie, via Evie's new sister-in-law, Sarah Palfrey Danzig (the new advertising manager of World Tennis), put the bite on Wally for Levi's advertising support in World Tennis. Whew! Is that convoluted or what?! Here is a bio of Sarah's tennis credentials from the Women's Tennis Hall of Fame records:

The five Palfrey sisters were a brood of tennis prodigies, each of whom won at least one U.S. junior title, but Sarah was the one to achieve international renown. After her playing career, she was a successful business executive (as Mrs. Jerry Danzig) in NYC where she was Advertising Director for World Tennis Magazine. Sarah died in 1996.

I was soon summonsed to an audience with Joe Cullman III, Chairman of the mighty Phillip Morris Company in New York on my next trip east. I took my wife Wanda with me, knowing we would be wined and dined by Gladys and Sarah in Manhattan's top celebrity bistros, and thinking we might as well enjoy the first phase of the eventual brush-off. They were perfect lunch and dinner hostesses, leaving the hard sell to Joe, who had begun his cigarette career as Advertising Manager of Phillip Morris. But I was getting far more concerned than usual about finding a polite way to say no to Joe.

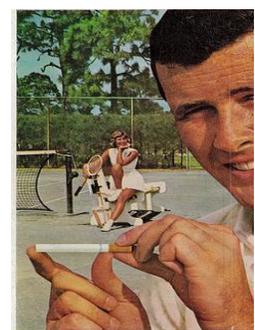
Fortunately Joe showed me the way. Sitting at attention in his cavernous top floor executive suite, I was first assaulted with a hard-sell monologue on the virtues of being



in on the ground floor of professional tennis, as Joe proudly showed me his multiple ads in World Tennis. I listened attentively, nodding occasionally, as he next launched into a long lecture about the importance of consistent spending on consumer brand image advertising. Joe used multiple examples of the way Phillip Morris did it, and finished with a strong warning that if I didn't convince Wally to start a similar consumer image advertising program right away, the Levis brand was doomed. He sat back and waited for my response.

What an opening!

I told Joe that in the past two years Levi's had, in fact, spent significant monies on a strong brand image campaign directed solely at our teen target market, young men aged 12-17, and we



It's what's up front that counts

were planning to double the budget this year! Then, before he could recover, I added emphatically that I was personally delighted to know that he was totally unaware of it! Continuing to pre-empt his response to my impertinence, I explained that 100% of our budget was being spent exclusively in the budding new youth-oriented media, like TV's teen dance party shows, rock and roll radio, underground newspapers, and psychedelic posters, and the fact that Joe and his age group had never seen or heard any of it was proof positive that Levi's advertising money was not being wasted by reaching non-prospects like him.

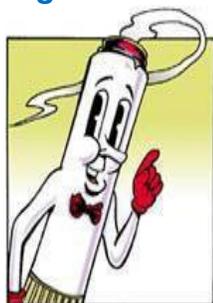
I couldn't resist a parting barb, asking Joe how he thought advertising cigarettes to professional tennis athletes, to whom wind and stamina are crucial, could be justified as good target marketing. Of course, in my self-righteous young zeal, I severely underestimated the depth of Joe's passion for tennis. Nor that he would persevere in its support, making The Virginia Slims the world's preeminent women's tennis event, as described in Gladys' obituary:



NEWPORT, R.I. Tuesday, June 24, 2003-- Gladys Medalie Heldman, a tennis Hall of Famer who is credited with helping create the women's tennis tour, died Sunday at the age of 81. She will most be remembered for her unstinting support and encouragement in helping women's tennis start their own tour. A maverick herself, Heldman persuaded her friend Joe Cullman, head of Phillip Morris, to bankroll the seed money needed to fund the first Virginia Slims tournament in 1970.

Nor did I have any inkling that Joe would later become Levi's first outside director, after Levi Strauss went public!

Here's an excerpt from Joe's Obituary: *Philip Morris's former chief, Joseph F. Cullman 3rd, an ex-smoker who evidently gave up in time, died yesterday at the age of 92. In Jan. 3, 1971, the day that the federal ban on cigarette advertising on television went into effect, Mr. Cullman, who by*

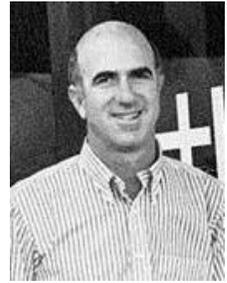


then had become chairman of the Tobacco Institute's Executive Committee, appeared on the program 'Face the Nation. In response to a question about a study that concluded that smoking mothers gave birth to smaller babies than nonsmoking mothers, Mr. Cullman replied, 'Some women would prefer having smaller babies.'

That's our Joe.

Falling Into The Gap

Wally Haas, my boss at Levi's when I was Ad Director, liked to have me be the 'Bad Cop' who dismissed all crazy advertising ideas or favors that friends wanted Levi's to do for them. That way he did not have to strain their friendships.



One day in 1969, Wally asked me to meet with Don Fisher, a real estate broker, and fellow member of San Francisco's private, largely Jewish, Concordia Argonaut Club. Don had told Wally of some sort of crazy sounding new retail idea so I was very curious to hear what he might want from Levi's that I, as Advertising Director, could influence or reject.

Later, I realized that this meeting had been one of the most productive of my young career.

Levi's was then sold in virtually all the major department and specialty apparel stores, and had also held on to its loyal small retailers throughout this hectic expansion. All sorts of other retailers, like Sears, Wards, Penney's, K-mart, Mervyns, and Target put tremendous pressure on us to sell them Levi's branded lines, but we refused. Discounters constantly tried to get product from any source they could to run large loss-leader Levi's ads to draw traffic. We thought we had reached a point of near-maximum distribution in the type of store we wanted and were devoting more effort on new styles and product lines like, Levi's for Gals, Big & Tall men's sizes, shirts, sweaters, belts etc., and improving service to existing customers for the bulk of our future domestic growth.

But after Wally's friend described his idea to me in detail, I was intrigued.

Don was a minor partner in an expanding regional furniture chain, to which he primarily brought his commercial expertise of retail store location selection. He was definitely not a merchant, but, he had been recently intrigued by a successful new shoe retailer named the Tower of Shoes in Sacramento, CA. which had broken all three sacred tenets of real estate...Location...Location...Location, and yet was wildly successful.

The Tower had rented a cheap and decrepit Quonset hut in a Sacramento valley Industrial area, well away from any other retail stores, and stocked it with all the current styles and sizes of a good selection of top brand name women's shoes. And, the Tower of Shoes was drawing record crowds to this cheap, remote location. How? Simply by spending large sums of his vendors' co-op money on TV advertising that no matter what size or style of top brand name shoe a woman might want, she was sure to find it at The Tower of Shoes. Price cutting was not a part of his business plan. And there was a Tower of Clothing on the starting blocks.



Don's real estate location expertise led him to think that a chain of small free-standing stores in low rent strip malls, adapting this new concept to the booming Levi's teenage market, would be a winner. His store research showed that even a large Levi's customer, like Macy's California, had a relatively small selection of product in each branch, and the style, sizes and colors became "broken" as soon as the most popular ones were sold, resulting in unhappy customers and lost sales. On top of this, the department stores' slow re-ordering cycle took weeks to replace the sold "heart" sizes of the bestselling products, resulting in even more unhappy customers, who, if they returned soon still couldn't find their size! In addition, he saw that while most of these "prestige" stores didn't yet understand how to cater to teenagers, they were learning fast.

Don's stores would not only welcome this generation, they would cater to them exclusively, employing teens as sale clerks, and operating only from 3pm when school was out until 11pm when they had to get home (a single 8 hour shift!). And, as a drawing card, he would sell all the latest rock & roll records, allowing the customer to stay and listen to their hearts content! In fact he planned to devote exactly 50% of his floor space to records and listening booths.



But the most important element of his idea was in the total variety and depth of Levi's he would stock, which was sure to satisfy every customer's "right now" demands. He would carry every style, color, and size that Levi Strauss made for both men and women and have them available at all times. This would be at least 20 times the product variety and depth of a typical Macy's departments for both boys and girls combined.

Another brilliant feature was that all merchandise would be stocked by size grouping, vs. the department standard display of a single style on a rack with all of its sizes together. Don's sales clerks, (a fast disappearing species in department stores) need only ask what size a customer wanted and lead them to a virtual store-within-a store size section of a multitude of Levi's styles and colors.



Also, every item in the store would have a special tear-off tag that showed style, size and color of the item. The clerks would be required to tear this tag off each item they sold for proper commission credit to them, and turn in all tag stubs each evening.

A clerk trained in an early version of the fax machine would summarize and transcribe that day's exact sales directly to the Levi's order entry desk in the warehouse over a night phone line to be automatically replenished in the next day's shipments to Don.



Don's expansion plan for the stores was pretty much based on the Mc Donald's concept. Each new store would be exactly like all the others in design, layout, location, signing, etc. Store employees would be high school students since the stores would be open from 3PM when school was out until 11PM and they would be promoted to management as soon as new stores were opened. All training would be uniform so that employees could walk into a new store and be immediately effective.

Don would have a store opening team trained to move around the country and get new stores operational in record time.

What a brilliant idea! The more I heard, the more I was determined to find a way to make it work. Levi's would virtually have their own stores, yet not own them, completely circumventing the existing apparel industry cardinal rule that wholesalers of brand name apparel could never have their own retail stores, and still hope to keep department stores as customers.

My first main obstacle was that Don wanted Levi's to share all his large market-wide advertising and promotion costs 50/50 up front before the first store opened.

And then he needed a guarantee of first priority on his daily re-order shipments to keep his promise of a "never-out" inventory.

The ad money request was the kind we could legally justify for a large department store chain opening a new store, but never for a radical unproven single store that didn't even exist yet. And to ask that his orders be placed in front of Macy's on the priority list was heresy! Still... What an idea!

Spending the next several hours examining ways to make it work, we came up with the following tentative agreement:

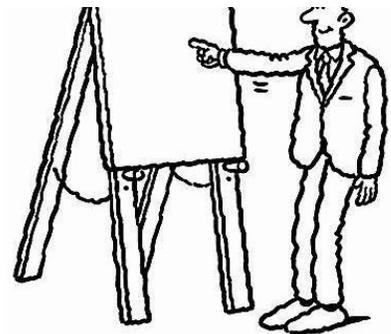
1. We solved the legal issue by Levi's agreeing to offer the same ad co-op terms to any retailer in the Bay Area (and any in other markets Don opened) if they would agree to stock only Levi's products, and in all styles, colors and sizes. This was the birth of the "Levi's Only" category of stores, a concept that spread like wildfire and eventually threatened the capacity of US denim mills.
2. TV's high costs were prohibitive, so we agreed that Don would use only top-40 radio. Don's and Levi's target market was tuned into the hot new rock and roll radio stations more than television anyway. Plus Levi's agency had become expert at producing very effective radio commercials and promotions with top 40 radio stations. These stations were eager to negotiate



much lower rates for local advertisers like Don, than they charged national advertisers like Levi's.

- 3. To ensure that Don's radio ads were of the same high quality as Levi's, I agreed to introduce him to my agency's chief radio commercial writer/producer and look the other way as he moonlighted as Don's first ad manager. But only if Don would limit our mutual ad spending to radio and merely mention that he sold all the latest the latest records as long as he didn't specify titles.**
- 4. Levi's initial dollar commitment to Don was set at 50% of an initial budget sufficient to buy a 3 month saturation afternoon radio schedule on all Bay area rock stations. These ads would run every weekday and Saturday during school sessions and on weekends during the summer. This program would bombard every hearing Bay Area teenager with Levi's messages at saturation levels and surely drive them to the store.**
- 5. Don knew the stores couldn't use the Levi's name and promised to come up with a catchy new name.**

With this agreement firmly in hand, I spent the next morning in a hastily called management meeting to outline this new concept. I assured Wally that we could afford to test the concept by reducing Levi's own radio ads in the Bay Area proportionately, at least until Don's store was open and we could gauge its appeal. The Sales Manager eagerly supported the test and agreed to personally handle the account, so that no salesman commissions need be paid for the new store(s), since there was no "selling" involved. Wally approved the test and, in turn, arranged for Levi's extremely tough new account credit terms to be suspended (with a lien on Don's opening inventory), and a promise to give the store top shipment priority for all re-orders received overnight .



Don planned to open the first store in San Francisco and expand in the Bay Area to saturation before moving the concept to a second metro area. This controlled my initial co-op offer to the Bay area metro area, making it legal to refuse a similar deal to anyone else in another market, and it allowed our advertising dollars to achieve maximum efficiency. Don had decided on National Football League markets first, reaching saturation as soon as he could, before tackling the smaller American Football League Markets. Don's logic was that the NFL had already done the research and picked off the best markets to reach men, so why should he argue with success?

Don not only got Honig Cooper's radio wizard to moonlight for him by paying him well, but he eventually hired him as his first ad manager. The first radio spots he produced

for Don were every bit as good as the ones he had done for Levi's, and they did an excellent job of brand image advertising for us.

By late summer 1969, Don was ready for his very first store opening, a San Francisco State University commercial neighborhood storefront on the same side of the street as the local movie theater. Of course, Don had already negotiated several other leases for his next Bay Area locations, and his master store plan was ready to be duplicated at a moment's notice. The new store was named the Gap by Don's wife Doris, (after the Generation Gap) and the first radio commercial had shouted to the blare of acid rock..."Fall into the Gap", a clarion call that was heeded by the multitudes!



I attended the Grand Opening mob scene of teens 'Falling Into the Gap' on an August night and, reminded of the early Fillmore frenzies, I was certain that The Gap and Levi's had an amazing future together. Very soon, The Gap stopped selling records completely to maximize the floor space for the far more profitable Levi's, which needed no extraneous "draw" to attract teen customer. The Gap was rapidly opened wide indeed.

Who could imagine that a scant 5 years later I would become Executive Vice President of The Gap's 350 stores in 1975, and that The Gap's various divisions would eventually grow to over 3,000 worldwide locations with revenues of over \$16 billion (almost **FOUR TIMES** the size of Levi Strauss!).

Since 1850?

An aspect of Levi's history that had puzzled me since my arrival, was the prominent tag line use on all earlier ads, stationery, signage, and on the product shipping containers themselves, to wit: "Levi's...Since 1850". I wondered. "why 1850?...why not 1849? Didn't Levi Strauss come West with the gold-rush prospectors in 1849?"

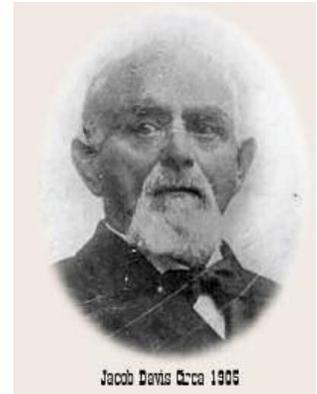
For many years Levi's had been credited with the invention of the original copper riveted, sturdy "waist overalls" as jeans were known originally. The story had been told and retold that Levi Strauss made the first pair of these sturdy pants from a single roll of canvas, one of his few worldly possessions when the 1849 lure of "Gold in them thar Diggin's" brought him to San Francisco. The patented copper rivets were to keep a gold miner's jagged ore samples from tearing normal pants pockets.



Every time I stood outside Wally's door, chatting with Rita Guiney, his longtime assistant, I would scan the framed 1902 front page obituary of Levi Strauss from The San Francisco Bulletin: "Levi Strauss, Merchant and Philanthropist, Dies Peacefully at his Home."

Casually mentioned in the details of his life history, was that he had arrived in San Francisco in January of 1853! Finally, it dawned on me that even the 1850 claim was wrong. I asked Wally about this anomaly and was told "you'd better ask my father about that". Since I was the new "keeper of the brand", I called Senior and put the question to him. He smiled and related the following:

"It seems that several years ago, an ex-salesman was brought in the home office to handle publicity, having proven his interest and skill in getting customers to promote Levi's. This new publicity "flack" knew, and regretted, that Strauss hadn't arrived in San Francisco until 1853, not 1849, and that the copper riveted pants weren't invented until 20 years later by Reno tailor, Jacob Davis, not Strauss. Furthermore, during this double decade, Strauss had become a millionaire dry goods wholesaler, never having manufactured anything. Levi Strauss' first pants factory wasn't opened until 1873 when Levi Strauss was given ½ of the copper rivet patent by Davis for doing the paper work to get the patent approved".



(Official California court records: "On May 20, 1873, Jacob W. Davis received patent #139,121 for an "improvement in fastening pocket openings." Davis's improvement consisted of "the employment of a metal rivet or eyelet at each edge of the pocket opening to prevent the ripping of the seam at those points." Less than a year later, on January 31, 1874, Davis and his partner, Levi Strauss, filed a suit for patent infringement against A. B. Elfelt et al., claiming damages of \$20,000. The court decided for the plaintiffs on February 10, 1875, but awarded Davis and Strauss only \$2,000. In his deposition, Davis recounts the story of how he came to first use rivets on work pants. He explains how, in January 1871, a woman asked him to make a pair of pants for her husband and to make them strong. Before working on the pants, he had been using rivets to attach straps to horse blankets, and when he noticed the rivets lying on the table, he thought to use them to attach the pockets."

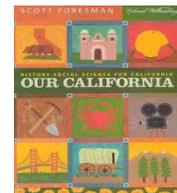
In return, Davis became the manager of the first Levi's pants factory in San Francisco in 1873, and remained so for many years. That Valencia Street plant building remained as Levi's first, and last, company owned factory in the US until its closure in 2002, but recently the building has been renovated and sensitively rehabilitated into the Friends School.



These facts were certainly not romantic enough for the new publicity man, so he set about molding history to suit himself "Out of Whole Cloth". For two years, the date of Levi's arrival in San Francisco was cheated back one year from 1853, and closer to his goal of proclaiming "Levi's...Since 1849", to correlate with the start of the famed Gold Rush. But, according to Walter Senior, the ex-salesman perpetrator of this myth died the year he had forged 1850 into the history books and his successor abandoned the quest to shave one more year.

I saw no benefit from replacing the well ingrained myth with the truth. Nor did anyone else, until the company cooperated with a corporate biographer named Ed Cray, who authored Houghton Mifflin's 1978 book simply titled "Levis" and the entirely accurate history was published. Today Levi's has a full-time Historian on the payroll that meticulously purveys the truth about Levi Strauss. But I wouldn't want to test the majority of the public's perception of what he did back then, "*In Them Thar Diggin's*".

So, for all those years, the Levi's legend had been a total advertising fable, including Levi's centennial celebration held in 1950 and attended by many celebrities (this bogus history was still being published in my daughter's elementary school California History textbook as late as 1969)



But after Cray's book set the clock straight, Levi's delayed their sesquicentennial celebration until 2003, eliminating the purloined 3 years.

The Challenge of Change and the Two Horse Brand

The last of Levi's traditional weekend-long annual conventions, aptly named "The Challenge of Change", was staged at the Fontainebleau hotel in Miami Beach in 1969. Prior conventions were far less grand and included more home office employees, but our growth in the number of management employees was only exceeded by our sales increases, so continuation of the tradition was deemed too costly. Thus, we planned to make this last one especially memorable.

A New York theatrical firm was engaged to write and produce an original musical about the company, replete with very funny caricatures of top management, and it was the convention's smash hit opening night show. My department had made a film of all our recent television spots, including unseen footage, and we unveiled what I still feel was the best Levi's jeans commercial ever made.

The commercial, named "The Two Horse Brand", was greeted with an enthusiastic standing ovation.



Since the beginning, each pair of original 501's has been adorned with a leather patch on which there is a "branded" image of a pair of work horse drivers, called drovers, with a team of horses, trying to tear the pants apart. It became Levi's symbol of its original product's ruggedness, and to this day every pair shows the struggle. But I was unable to learn if the tug-of-war event ever really took pace, and if so, whether the horses or the pants were victorious. This strength concept, promoted by referring to 501's as "The Two Horse" brand,

continued to intrigue me, beyond the clever double entendre.

Several customer letters over the years told of harrowing escapes from injury or death, thanks to Levi's strength. One described being snatched from under a train's wheels by the fact that his Levi's got caught on a hook as he fell from the train. Another told of him and his car being towed from a ditch using just a twisted a pair of 501's as an emergency rope. And there were many sad parting letters from those who were sending back their dead jeans, to redeem Levi's famous warranty," A New Pair Free if They Rip". Many of these letters spoke as if they had lost a close friend.

Intrigued with the 501 product's legendary strength, and needing a new jeans television commercial to direct to the growing age diversity of its buyers, I asked the agency to consider a TV spot that delivered a product strength message, or, perhaps actually re-created the fabled contest between dray horses and Levi's.

Once again, I was testing the agency's tolerance by attempting to dictate the creative content of their work, and once again they rose to the challenge.

Several ideas were shown that staged re-enactments of the "escape from danger" letters, and they looked promising, but the horse vs. pants contest was clearly the best. This proposed commercial's storyboard (a scene-by-scene artist's rendering of the commercial concept, complete with copy and staging notes) titled "Two Horse Brand", was expertly described by the copywriter and director with embellishments not drawn on the board, as a third writer dramatically read the exact copy aloud.

It began with dramatic western music (like the Bonanza theme) and a close-up of the steaming nostrils of a huge dray horse, not unlike the Budweiser Clydesdales, on a cold early dawn in a dusty desert location. As the sun rose, the camera pulled back to reveal two drovers, dressed more like miners than cowboys, and cleverly drawn to look like young Levi Strauss himself. Each was urging a mighty horse to pull in opposite directions, with an iron rig between them attached to each leg of a pair of Levi's 501's.



To no avail, the horses snorted and strained in the morning chill, raising clouds of dust, but not dismembering the 501's. As the battle ensued, the voice-over announcer spoke of Levi Strauss's humble beginnings and the amazing pants he had invented that wild horses couldn't rip apart. But if you did, you could get a new pair for free.

It sounded perfect, but we all wondered if it could be filmed without any "artistic license" ...in other words, could it be done honestly without faking it. No one wanted to actually pre-test the contest without filming it, because of the excess cost of doing it twice if it worked, and the danger that, when repeating the scene on location, it might fail. The agency decided to discuss it with actual drovers and get their advice before we proceeded.

Their reports later came back that it had an excellent chance of success! It seems that good dray horses are trained to pull, not jerk, and when they meet a strong resistance, they hold their position, straining, but not enough to hurt themselves. The drovers assured us that they could coordinate the two horses



sufficiently to make the commercial with no trickery or deceptive editing, and the pants would probably hold. We decided to chance it. We set off from the Las Vegas Stardust Hotel and Casino for the nearby Nevada desert one cold pre-dawn morning. The location we had chosen was a desert foothills national park near Las Vegas, and we were set to stage test shots an hour before the sun rose. I couldn't believe how big these silent monstrous horses were when I arrived in the dark. Their harnesses and iron tow bars that had been specially made to look old, were very heavy leather, iron, and wood. Each rig had a connection device that firmly gripped one leg of the jeans yet allowed the pants to be seen clearly between the equine behemoths.

The crisp crystal-clear Nevada morning air was broken by the sudden sun as we began final filming, and the desert took on a deep red "other-worldly" hue, rapidly turning to gold. The setting looked straight out of the 19th century, the colors were perfect, and the struggling drovers and their horses earned their Actors Equity cards.

And the 501's held fast!

Only after our film was in the can and we were driving back to Vegas, did the agency guys admit that they had brought an unneeded emergency steel cable that would fit hidden inside the pants to prevent them ripping apart... "just in case".

I silently wondered what I would have done with the commercial if we had actual needed the cable. That still remains an unanswered question.

When we viewed the "rushes", as raw footage was called, we knew it was Oscar quality cinematography and would yield superbly to the editor's touch.

But the best actor Oscar would have to go to victor of this Herculean struggle, the unyielding Levi's 501's themselves, the true hero of the day!



Europe Beckons (Secretly for a While)

"The Challenge of Change" convention involved more than just show biz, and the three days were filled with training sessions, business plan reviews by all domestic groups, plus a presentation, planned to be delivered by Ed Combs, detailing Levi's impressive international growth and diversification. Ed's wife was unable to accompany him to Florida, being on call from the stork. The uncooperative bird landed in San Francisco just a few hours after Ed did in Florida, So quickly flew back home to meet his new baby girl, Leslie Combs, named after my own 11 year old daughter..



he

His part of the meeting was ably handled by his staff that impressed everyone with the rapid and profitable progress Ed had made in exotic foreign markets, especially in Western Europe.

The recent broadening of my involvement in sales and retailing had whetted my appetite to expand beyond advertising, and several weeks before the Miami event, I had boldly asked Wally to consider another job for me at Levi's that would add to my future worth to the company. I had built an excellent staff, particularly one very bright account executive named Frank Brann, whom I had hired as Assistant Advertising Manager,

from one of P&G's New York agencies. I had carefully groomed Frank to replace me, and Wally agreed that he was probably ready for the challenge (Frank went on to replace Ed as Executive Vice President when Ed died in April 1973).

Wally promised to think about it and see what might be made available to me.

Soon, Wally had found two strong possibilities. One was as Regional Sales Manager for the Midwest, based in Chicago. Levi's five regional sales managers earned almost as much as Wally made, due to their good salaries, plus commission overrides on all Levi's sales in their region. Many of the best Levi's territory salesmen actually made more than Wally because there was no limit on their straight commission income (other than cutting the size of their territory, which was done frequently). The only way Levi's could get their top salesmen to accept "promotion" to a regional manager's job was to include a commission override. I didn't relish the move or losing the daily contact with top management that I had as Advertising Manager in my beloved San Francisco...but the money was very tempting!



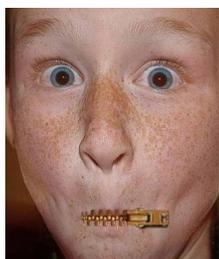
The second job that Wally proposed was for me to replace the current General Manager of Europe and report directly to my best friend, Ed Combs. The incumbent European manager was a former US salesman who had handled export sales while based in San Francisco. He had been moved to Brussels, Belgium to broaden bulk sales to distributors and to set up an import and re-shipping warehouse in Antwerp after the advent of The Common Market. He had done a good job, but Ed felt he wasn't capable of planning and carrying out the major changes Ed wanted to make in Europe.



So, my friend Ed Combs, the President of Levi's International, would send me Europe and become far more than a mere Advertising manager. I had to grab that brass ring, and I did!

Wanda and I rationalized that our lust for the expatriate world was really for our daughter's benefit. After all, she would go to private school at company expense in Brussels, plus, since I was to be the boss, we could show her all the wonders of Europe, by setting all my business meetings on Fridays or Mondays in Paris, Rome, London, etc.

Yes, it was decided! We sadly declined the beauties of Chicago, to suffer the drab rigors of living in, and traveling all over Europe, for Leslie's sake. HA!



There was only one caveat. The decision was made in April 1969 to replace the incumbent with me, but he was a loyal veteran of cowboy days, and Wally insisted that he be told face to face in July during Wally's upcoming summer grand tour of Europe. Thus our lips were

sealed for three months! Not just sealed, but sewn shut and riveted with copper rivets! Nobody, including parents, siblings, friends, Leslie, NOBODY was to know until Wally delivered the coup de grace in person.

At the Miami convention, Wally had not yet disclosed anything about my imminent departure for Europe, but was due to be there soon to complete his personal dismissal of the incumbent General Manager in Brussels, and free me from my vow of silence.

The Cat Escapes the Blue Denim Bag

Three months is not too long to keep a secret, is it? Of course not! And we told no one, that is, not until the day before the realtor's For Sale sign was due to appear in our front yard.

Wally was only 1 day from Brussels, when, that night at dinner with our best Marin County friends and neighbors (who would see our home's new "for sale" sign the next day), I swore him and his wife to keep our fabulous secret, and spilled the beans. They were thrilled for us and, being an top executive with Southern Pacific, he understood the need for silence. So too, we thought, did his wife.



What she did seemed innocent enough, and was intended simply to help Wanda adjust to living abroad as an American executive's wife. Unbeknownst to us, she called her best girlfriend in Malmo, Sweden and asked her to send Wanda any adjustment tips she had learned being herself an expatriate American wife of an executive in Sweden.

This prompted her friend to immediately relay the request to her American sister in Brussels who was married to the Director of the Benelux Bank of America. This sister was also President of the Brussels American Women's' Club. Who better to welcome a new American executive's wife to Belgium? As an aside, Bank of America was our lead bank in Europe and Wally was on their board.

You guessed it! The wife of the soon-to-be deposed Levi's General Manager, (herself the past president of the same American wives' club) got an instant call asking why the hell she hadn't told her best friend that her husband was being replaced with some Advertising guy from San Francisco... Plunk! The next day, before I had time to warn Wally of this pre-Internet instant messaging, he arrived in Brussels and heard it from his intended victim!

From that day to this, I always correct everyone who claims to know a secret with "There is no such thing!"

Meanwhile during that secret summer, Ed had me enroll in several American Management Association executive training courses. One was designed to sharpen my rusty Management Accounting skills, and another was devoted to a making a quick transition to living and working abroad. A third was a detailed review of the newly formed Common Market and European Free Trade Association (EFTA)

Wanda and I also had private tutors attempt to teach us French, which is spoken by roughly half the Belgians. The other half speaks Flemish, a Dutch dialect that is almost impossible for an American to articulate. We read books, had garage sales, postponed all unnecessary major purchases and generally did our best to keep a low profile.

Every day at work, when Ed was not traveling, he and I spent as much time as we could without raising suspicions. There were also lots of evening sessions at our respective homes and restaurants. Ed's wife was Belgian by birth, but had been a Swiss resident when they met, so she was very helpful to Wanda's understanding of what NOT to do as an American wife in Brussels.

After my appointment was announced, I took a quick solo trip to Brussels to meet the small HQ staff, and arrange a transition period with the former manager, who had decided not to return to the US. I rented a house in Sept Fontaines, an affluent Brussels neighborhood far from the Gringo Gulch that Ed had advised us to eschew, and even got a cat to replace the one Wanda and Leslie had reluctantly agreed to leave behind.



When the final week arrived for our move in late August, I accepted an invitation to appear at the gala opening of Don Fisher's very first Gap Store. It was on the 1969 Labor Day weekend, the night before Wanda, Leslie, Tony and I were leaving for Europe on the new QE2...a fitting farewell to my Advertising career....



A Sad Farewell to San Francisco



and a Sad Goodbye to My Best Friend ED Combs

In Memorium to Ed Combs

Spring Forward...Fall Back (Sadly Prophetic)

The last Sunday in April is only one of two times a year when most Americans silently repeat this litany to remember how to change our clocks to accommodate daylight savings time, the result of Ben Franklin's humorous insight one sunny Parisian morning in 1784. The sun had awakened Ben after only 4 hours sleep...

"I looked at my watch, which goes very well, and found that it was but six o'clock; and still thinking it something extraordinary that the sun should rise so early, I looked into the almanac, where I found it to be the hour given for his rising on that day. I looked forward, too, and found he was to rise still earlier every day till towards the end of June; and that at no seen any signs of sunshine before noon, and seldom regard the astronomical *part* of the almanac, will be as much astonished as I was, when they hear of his rising so early; and especially when I assure them, *that he gives light as soon as he rises. I am convinced of this. I am certain of my fact. One cannot be more certain of any fact. I saw it with my own eyes. And, having repeated this observation the three following mornings, I found always precisely the same.* (Benjamin Franklin's Essay on Daylight Saving Letter to the Editor of *the Journal of Paris* 1784)



Many of us have been embarrassed by not changing our clocks before retiring, and arriving the next morning just as the church empties.

But this mistake killed Levi's new Executive Vice President, Ed Combs.

Almost 200 years after Ben's insight, Ed had flown his wife and 4 year old daughter to an Air Motel (a type of motel you need to fly to) in Visalia California on Saturday April 28, 1973 to meet a real estate agent at a remote Sierra foothill ranch he was interested in buying.

After Ed was promoted to Executive Vice President, he had received permission to exercise over \$1 million of his previously granted stock options, as the promotion came with a substantial number of new options.



His first major purchase was a twin engine Beechcraft to replace his first private plane, a small single engine Mooney. Soon he installed, an expensive new Robertson STOL (Short Takeoff and Landing) safety conversion to allow the more powerful twin Beech to use the

many remote small airstrips he had discovered in Northern California with his Mooney.

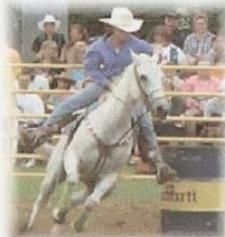
The potential ranch purchase, replete with private airstrip looked like a perfect investment to him.

The Visalia Air Motel and the airstrip on the ranch itself were both ideally suited to Ed's new STOL feature and the weather was slated to be a typical clear and warm Spring Sierra day. Dinner, with no wine, and early to bed for an 8am family flight to the ranch, a 30 minute trip.

As the sun shone in his room, and he looked at his travel alarm, Ed quickly realized his error in not shifting it the night before. He leaped from his bed, woke his wife to tell her he had to fly alone to meet the agent since he was already late for his 9am meeting and he would come back later to gather them for a return trip.

When he approached the ranch strip and began circling for a landing, he saw a crowd of people at the far end of the field where a rodeo was in progress. Another few turns to maximize his final landing distance from the crowd, and he descended. At the last minute he realized his STOL would fail him and he jerked back on the controls in a vain attempt to take off again. The plane ground-looped and went down nose first, not 20 yards from the shocked crowd.

The ultimate irony of my best friend Ed's tragic death at age 42, was that it was caused by a rodeo, the image of which I had worked so hard to suppress at Levi's.



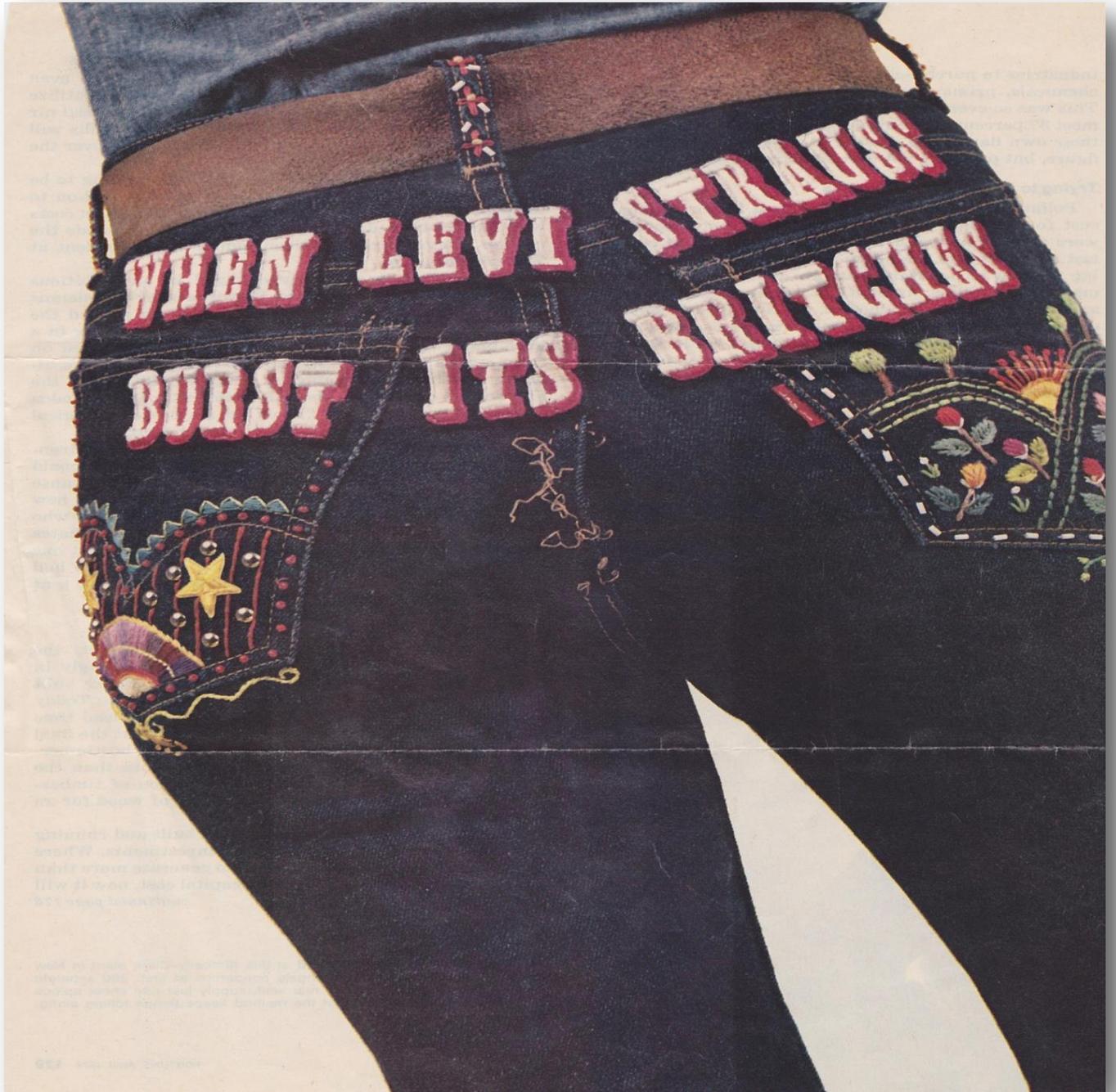
But I am thankful to Ben Franklin for sparing his wife and daughter.

Here is an excerpt from Wally's heartfelt notice to Levi's employees announcing his Ed's death:

“Nobody in our long history made a greater impact on our company in such a brief period of time. His sophisticated concepts of management were instrumental in changing the tempo and thrust of our business at a time when our complacency and over-confidence might well have foredoomed our future potential. As we write this, we feel that Ed was as close to being indispensable as anyone in the organization might be...”

Ed had indeed sprung forward and fallen back.

Fortune Magazine April 1974



by Peter Vanterwickell

The company made a fast grab for the European market without sufficient management control on inventory and distribution. It paid for its "traumatic experience" in profits and reputation.

Along with Coca-Cola, jazz, and the automobile, the humble but hardy garment known as jeans ranks as one of America's major contributions to global culture. Over the past decade, jeans have become not only the new rage among the young but also a ubiquitous emblem of unfashionable fashion and probably the world's most widely popular trouser.

In the competitive and chaotic apparel industry, the company has stitched together a sturdier performance from the craze for jeans than their original maker, Levi Strauss & Co. Outstripping the growth of all its competitors, the company has multiplied its annual sales volume ninefold to \$653 million, a compound annual growth rate of 24 percent. Its profits kept pace, and its return on investment was consistently better than that of its rivals. That record has helped the company to acquire an enviable reputation for managerial prowess.

Until last year. Then, with the suddenness of a summer storm, some marketing blunders dealt a blow to both profits and reputation. The setback occurred in Europe, where Levi's had been growing the fastest; its sales there leapt from \$55 million in 1965 to \$100 million in 1973. In achieving such hectic growth, the company committed a number of classic management errors, and so stumbled into that familiar booby trap: an excess of inventories. To make matters worse, it took months before top company executives realized that they faced a serious problem. And it required a full year of ever more costly price cutting to dispose of the goods.

The debacle cost Levi Strauss at least \$12 million and left the company with a deficit of \$7,244,000 in the fourth quarter of last year, its first quarterly loss since the Depression. With that painful setback, Levi's earned only a meager \$11,856,000 in its fiscal 1973, which ended November 25.

The unexpected loss was an embarrassing blow to the credibility of the proud men who run Levi's. The company had reluctantly gone public in

Research associate: Li>Jrt Grautllartll

1971 to raise \$45 million of capital to finance expansion. And only a few months before the fiasco Levi's top executives had dismissed warnings of impending trouble brought them by Wall Street analysts. Chairman Walter Haas Jr., fifty-eight, calls the European episode "a traumatic experience." His fifty-five-year-old brother Peter, the president, puts it even more bluntly. "Obviously," he says, "I'm in the same situation Nixon is—I'm either a knave or a fool. We should have known and didn't, but we didn't know as accurately as we should have."

Shirtsleeves for the fourth generation

The lapse has only temporarily dampened the company's ebullient operating style, which is almost as original as its principal product. Levi Strauss's main office for most of its 124-year existence has been in the same block of Battery Street in downtown San Francisco. Lately the company has occupied a funky old building filled with littered desks, rock music posters, and cluttered memorabilia. Its casual, offbeat atmosphere attracts lots of bright young I.B.A.'s, who twirl their mustaches, devise wildly imaginative marketing programs, and wear—of course—Levi's.

By any measure, Levi Strauss is also one of the country's most socially responsible corporations. It takes pains to hire the handicapped, contributes generously to charities, and aggressively seeks black and Chicano workers. Thirty-eight percent of its U.S. employees, including 11 percent of its executives, are members of minority groups.

The company clearly reflects the manner and the concerns of the brothers who run it. Though born to wealth and social position, and schooled at the University of California and the Harvard Business School, both Haases are informal outdoorsmen who enjoy camping and horseback riding at their ranches north of San Francisco. They work in shirtsleeves and encourage all employees—even including sewing-machine operators—to call them by their first names.



Meredith and Gary Gladstone

For years, both have devoted a substantial chunk of their time to civic causes, notably national and local efforts to fight social inequities. Both are pillars of the city's business establishment. Walter is, among other things, a director of the Bank of America and a trustee of the Ford Foundation; Peter is a trustee of Stanford University.

The Hanses form the fourth generation of family management at Levi Strauss. They are great-grandnephews of the company's founder, Levi Strauss, an immigrant from Bavaria and a lifelong bachelor, who began selling dry goods and equipment to the gold miners who flocked to California in the early 1850's. When a prospector asked for some pants that would withstand the rugged environment, Strauss made the first Levi's from canvas intended for tents and wagon covers, but soon switched to the familiar blue-cotton denim. Cowboys, too, discovered that the indigo-dyed denims were comfortable and durable on the range, and the virtues of old Levi's pants entered the folklore

of the West. More than a century later, their design changed only by the removal of a few copper rivets, they are still the company's basic product.

Worn and torn, at \$25 a pair

By a wide margin the world's largest manufacturer of pants, Levi Strauss last year turned out some 2.2 billion pairs of blue jeans. Its brand name has long since been adopted as a worldwide synonym for the product, and the distinctive "Levi's" tag—twice sewn on the outside of its pants—is a familiar sight on rear ends from Belgium to Borneo.

Even so, blue jeans nowadays account for only a quarter of the company's business. Last year Levi's also marketed more than 75 million pairs of corduroy jeans and slacks. It is becoming a large manufacturer of shirts, and has a fast-growing line of blouses and slacks for women. Two years ago it bought a belt company, and it is looking for other acquisitions.

Most of its growth, however, has been internal, achieved by broadening its product line and entering new geographic

markets. Today, Levi's is a multinational business, with manufacturing plants in twelve countries and sales subsidiaries in twenty-five.

Until last year, the very idea that the company might move into Europe would have seemed ridiculous. As the Clairol of jeans and corduroy pants swept over the Continent, entrepreneurs shipped cartloads of used and discarded Levi's from the U.S. to Europe and sold them for double the price of new pants. In Paris boutiques, worn and torn Levi's sold for an outlandish \$25 a pair. Both small European manufacturers and Levi's major U.S. competitors, J.D. Lee Co. (a division of VF Corp.) and Blue Bell Inc. (which makes Wrangler jeans), scrambled for shares of the exploding market.

Levi's had begun exporting to Europe on a small scale in the early Sixties, and formed a subsidiary called Levi Strauss Europe (L.S.E.), as part of its international division, to coordinate its growing operations there. But even in 1981



L.S.E. consisted only of a dozen employees based in Brussels and a warehouse in Rotterdam, the "Ough-h" which pants "CIC" imported from Levi's factories in the C.S. and Hong Kong and sold to imbecile local distributors throughout Europe.

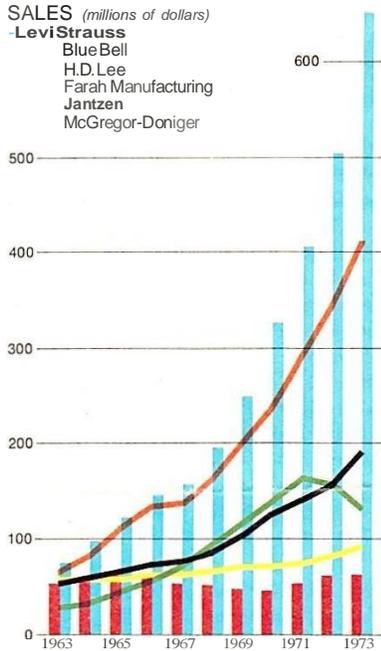
All out for market share

Levi's international business was not what the company calls "total autonomy," and the man who ran it was vice president Edward Combs. When he took over in 1961, the masses regarded him as their most airless executive and man in the company considered him heir apparent to the president, as the European demand for jeans began to soar, Combs made a crucial decision with Peter Haas's full concurrence. He decided that Levi Strauss should expand rapidly in Europe to grab as large a market share as possible. On later, the company imposed its usual financial and management controls.

It was a risk, but Combs reasoned that it would be much easier to gain a position in the market before competitors became entrenched. If Levi's expanded with its customary caution, it would have to fight well-established rivals late. [foremel, Levi's executives reentered their denim and corduroy jeans as basic garments not subject to the changing whims of fashion. Since demand was far outstripping supply, there seemed to be no price control for inventory.

In August 1961, Combs sent thirty-six-year-old Carl Robinson Jr., who had been the company's advertising manager for four years, to Brussels as the general manager of Levi Strauss Europe. His appointment reflected the company's emphasis on marketing. An energetic and engaging man who carried ruffled suits and chain-smokes Yiceroy's, "Dud" Robinson had mastered indeed many of the adroit campaigns that had helped Levi's jeans become *de rigueur* with American youth.

In Europe, Robinson got his first crack at operating responsibilities. He



A Runaway Race

Levi's sales have increased ninefold in the last decade, far outdistancing those of its major competitors. Still, the four big publicly held pants makers together have only an estimated 25 percent of the U.S. market. Farah's sales were hurt by a clothing workers' strike and boycott, which severely reduced Jantzen and McGregor-Doniger, about the same size as Levi's a decade ago, have grown 11:10 since then.

beginning to hire people, ordering goods from Strauss plants in the C.S. and sell the product, building factories to start European production. The demand for pants seemed insatiable. In 1970, L.S.E.'s inventory turned over seven times (about four is normal for apparel) and the main warehouse in New York had to be fully replenished in an incredible nineteen times.

Learning that a shipment was arriving, distributors would send trucks to Antwerp and buy anything they saw. "Trucks and cars were backed up outside," Robinson recalls. "We had a table there and our customers would start fighting over the goods. Pretty soon they'd be sneaking around the table into the warehouse. The load dripped away with

pants flapping out the back of the truck."

To improve Levi's distribution within Europe as quickly as possible, Robinson took another crucial step. Rather than bring in Levi Strauss salesmen who were experienced in domestic apparel markets but unfamiliar with marketing in Europe, he acquired the firms that had been L.S.E.'s national distributors in ten countries and turned them into sales subsidiaries. Close relationships between manufacturers and retailers are vital in the apparel business, and Robinson believed that L.S.E.'s distributors and their salesmen would provide that, enabling Levi's to keep attuned to changes in each national market.

Acquiring the distributors gave L.S.E. a large organization within Europe. In four years its staff increased to nearly 13,000, its subsidiary companies from one to thirty, its plants from one to nine, its warehouses from one to twelve. But meshing the acquired firms with L.S.E. proved to be unexpectedly difficult. Their presidents were long-established businessmen in their own countries, and they resisted changing their methods. In Britain, Willie Gertler, of F.J. Galtier Co., bucked proposals for warehouse consolidation and other managerial changes so hard that the company shifted him into another job.

The figures were out-of-date

In keeping with the established Levi Strauss policy, each national manager retained full autonomy and profit responsibility. At first, L.S.E. received only quarterly balance sheets-outdated information. Moreover, each new subsidiary operated differently, with its own accounting and inventory control systems. Only Attias F. & Cie in Switzerland was computerized, and its system didn't fit with L.S.E.'s.

Most of all, several of the firms did not have accurate information about their inventories. Their reports to Brussels and L.S.E.'s reports to San Francisco were often so lacking in details (about sizes and styles, for example) as to be meaningless. But for a while, Levi's

faas (left), president of Levi Strauss, and his brother, Walter, chairman, learned a painful lesson in Europe: fast growth can be costly.



Levi's explosive growth in Europe was managed by Carroll "Bud" Robinson, a former ad-man. Blamed for the inventory debacle and recently replaced as international vice president, he has been looking for a new job.

Levi's explosive growth obscured the problem.

While Robinson was struggling to reshape L.S.E.'s European distribution, he was also attempting to reduce its heavy dependence on imports. L.S.E.'s supply line stretched literally around the world. In 1971 and 1972, almost three-quarters of the pants the company sold in Europe were imported from other Levi Strauss plants in the U.S., Puerto Rico, Mexico, and Hong Kong. L.S.E. had to order its denim and corduroy materials, generally from the U.S., have them shipped to a manufacturing plant, usually in the U.S. or Hong Kong, wait for production to be scheduled and carried out, then ship the finished goods to Antwerp. At best, this process took eight to twelve weeks, but often there was as much as six months' delay. Frequently, only half of an L.S.E. order arrived when it was due.

Once goods did reach Europe, L.S.E. couldn't keep track of where they were.

Fashionable boutiques such as the "Way-In" shop at Harrods in London (right) are prime outlets for Levi's products in Europe. Its blue jeans and corduroy pants cost from \$3 to \$5 a pair more there than in the U.S.

Management failed to realize that by buying the distributors it had multiplied the inventory-control problem by three. Moreover, the ever increasing volume of pants, in various fabrics, styles, and sizes, flowing through twelve warehouses, overwhelmed the efforts of clerks to keep adequate records of the movements. As a result, warehouse workers often did not know where fine goods stacked in the bins. Incredible as it seems, if a retailer returned a shipment, L.S.E.'s warehouses had no means of reentering the goods into inventory. The company had never encountered more than a trickle of returns and such a system had not been considered.

The perils of promotions

Throughout 1971, L.S.E.'s main problem remained getting enough goods to sell. Confident that they could sell everything amiable, sales subsidiaries routinely ordered more than they had sold to retailers. The retailers gratefully accepted shipments that were months late. Only late in the year, thanks to rapidly expanding European production and still climbing imports, did the shortages begin to ease. Unfortunately, L.S.E.'s chaotic and out-of-date records gave its managers no inkling of the change.

Just at this point the two men who knew the most about Levi's European business, and who might have sensed the change, were promoted to new jobs. Combs became executive vice president, responsible for the day-to-day operations of the entire company. (He fell in a plane crash last April.) Robinson succeeded him as vice president-international,

and began dividing his attention between Europe and Levi's fast-growing activities in Canada, Latin America, and the Far East.

Peter Thigpen, thirty-two, took over as general manager of L.S.E. A former Marine with an M.B.A. from Stanford, Thigpen had been with L.S.E. only three years, most recently as marketing director. Still, he was the most experienced American executive on the scene.

When fashion turned fickle

Simultaneously, European tastes in jeans underwent a surprising and rapid change—a phenomenon that Levi Strauss had not hitherto encountered. A French apparel manufacturer, Xewelan, soon joined by half a dozen others in West Germany, Britain, and Belgium, began making jeans in wide colors and far-out styles, using such fabrics as upholstery and civet. They became fast-selling items of high fashion at fancy prices. Europeans began demanding their ordinary jeans and corduroy pants in a variety of styles and colors.

Up to this point, Levi's had sold little in Europe but its basic straight-leg blue jeans and corduroy pants. With those long lead times and a complex distribution network, the company could not readily shift its output to conform with such swings of fashion. Despite this handicap, Thigpen and his colleagues decided to compete in the high-fashion business with faster-moving local rivals.

It was, he now says, "a crucial marketing mistake." The demand for Levi's



traditional jeans was still growing vigorously. But in its zeal for still more sales growth, the company plunged into a high-fashion market for jeans that it was ill-equipped to handle. The new lines sold well, but they enormously compounded L.S.E.'s growing problem of controlling inventories.

A vogue for patch pockets

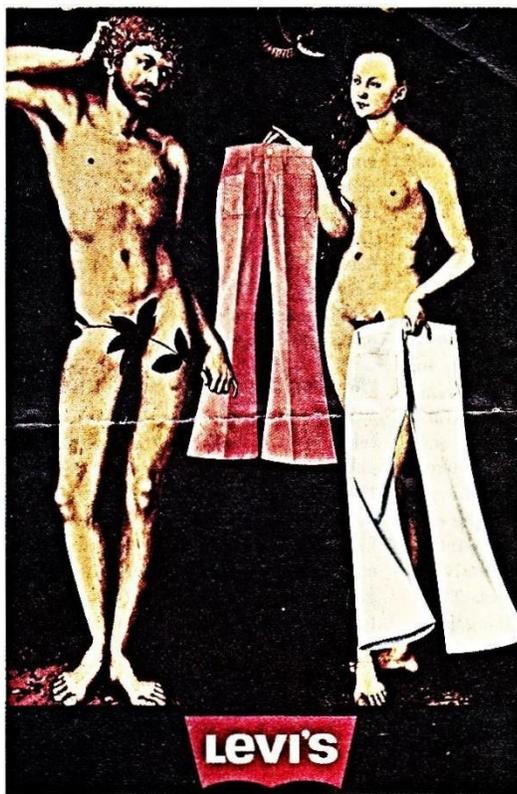
Levi's European managers had ignored some early warnings of trouble. "Demand was so fantastic," says Robinson, "that no one believed it would ever taper off."

In late 1970 the French distributor, Ets. Frenkel, S.A. (which Levi's was unable to buy), sharply reduced its orders for the standard scoop-pocketed jean and requested nothing but patch-pocket jeans for the spring of 1971. There was no demand for patch pockets elsewhere in Europe, and L.S.E. declined to produce them. So a Frenkel partner, Maurice Jablonsky, flew to Hong Kong and ordered two million pairs from the Levi Strauss subsidiary there. By mid-1971 patch pockets were the rage of Europe, and L.S.E. belatedly began making them in its European factories.

In the spring of 1972, retailers in England wanted to drop straight-leg blue jeans—Levi's bread-and-butter product—in favor of bell-bottom jeans. Levi's had been selling 250,000 pairs of straight-leg jeans a month in England; they were made in the U.S. and Hong Kong and took four months to deliver. The retailers warned that if Levi's would not provide bells promptly, they would 'bul' from local manufacturers, who could deliver quickly.

Levi's shifted some production in the U.S. and France to bell-bottoms as rapidly as it could, but it continued to produce large quantities of straight-legs, which were still selling well elsewhere. Within weeks, however, the bell-bottom craze swept through Europe and demand for straight-leg jeans dwindled. Levi's had millions of them in its supply line, and when they arrived in Antwerp, virtually all of them remained in the warehouse.

Bell-bottom corduroys became popular throughout Europe about the same time,



Poster Parodies That Put Jeans on the Scene

Irreverent alterations of Renaissance works of art have proved a highly successful marketing gimmick for Levi's. The idea was suggested by the teen-agers' craze for posters. Levi's first used pop-art posters to display its new styles. In 1969, when the company was trying to create an image in Europe, it made a poster showing a nude female figure stitched with a Levi's pocket. It was a smash, and for a time the poster sold for as much as \$4 a copy; Chairman Walter Haas has one in his ranch house. Then Levi's Australian subsidiary put out a poster of a nude girl riding horseback, which became popular in Italy as well.

Peter Haas suggested that the rear ends be covered with Levi's, and subsequent advertisements showed famous nudes wearing or holding Levi's products. This one is Lucas Cranach the Elder's *Adam and Eve*. Another had Michelangelo's *The Creation*, with Goel handing Adam a pair of jeans. The Vatican objected, and the series was halted after Stockholm's Royal Academy of Fine Arts, citing a Swedish law that prohibits defiling classic works of art, threatened to sue.

and in addition to making straight-leg cords in twenty-seven colors, L.S.E. started making bells in twenty-five colors. When its marketing men tried to drop the straight-leg corduroys, retailers insisted they be retained because the straight-legs were still selling. But in midsummer, just as Levi's plants were reaching full production on belled cords, the market for all corduroy pants shriveled as consumers switched en masse to the new bell-bottom denims. In mid-1972, 65 percent of all pants sold in Europe were corduroys. A year later, the figure was only 15 percent.

Trying to stop "the big steamroller"

Belatedly aware of the upheaval in fashion, the young L.S.E. managers tried to decrease their immense imports of suddenly unfashionable pants. They canceled huge orders for corduroy fabric from the U.S. But the very size of "the

big steamroller," as Peter Thigpen calls Levi's, made it slow to respond to Europe's suddenly changed market. A firm corporate policy at Levi Strauss, in keeping with its sense of social responsibility, is to avoid layoffs. The company tries to provide year-round employment for the thousands of women working on its sewing-machine lines. That policy forced L.S.E. to curtail its orders to the foreign plants gradually so that other divisions could take up the slack. For at least six months, L.S.E. continued both to import and to manufacture pants that were hard to sell.

Not until January, 1973, did Robinson and Thigpen begin to realize that they faced a serious problem. L.S.E.'s year-end figures showed an inventory of eight million jeans, pants, and shirts, double the level of a year earlier and enough for more than six months' sales. Moreover, inventories were still increasing,

international division, were stunned. The physical inventory which had been conducted by Levi's outside accounting firm, Arthur Andersen & Co., showed that L.S.E.'s inventory consisted mainly of a mishmash of hard-to-sell odd sizes and unusual styles. "All we had left," Robinson conceded, "was cats and dogs."

The financial projections were equally disturbing. The value of the European inventory was declining so swiftly that the European operation would surely suffer losses. The rest of Robinson's international division was doing so well, with sales in some regions well above planned levels, that he hoped the division could meet its profit target for the year despite the European loss. Nevertheless, he decided to fly immediately to Brussels with Ed Pera for a close look.

Bad news on the blackboard

The final disclosure revealed the true magnitude of the debacle. In a stuffy, crowded conference room in L.S.E.'s headquarters, he spent half a day with the manager and controller of each subsidiary, going over their inventories item by item. He demanded to know how much each company had received in the last ninety, sixty, and thirty days for each item being marked down, how much the subsidiaries expected to have left by year-end and what price it might be worth by then in the demoralized market. Robinson, Pera, and Thigpen took turns at a blackboard, chalking down the prospective financial impact of the bad news that had so long eluded them. Suddenly, says one participant, "a lot of young men began to look very old."

The tense sessions began at 8:00 A.M. and stretched on till 11:00 P.M. Then, says Pera, "we'd go out and get half a snockered. We couldn't believe it." The executives in San Francisco had no idea that prices had fallen so fast, or that the European inventories were of such poor quality. It was clear that with the markdowns approaching 80 percent, European losses would be enormous. And vast numbers of jeans still remained unsold in the warehouses, their value declining by the day.

A few managers remained optimistic about selling their inventories at full

markup. But this time Robinson and Pera demanded larger reserves for markdowns and conservative inventory valuations. They ordered new pro forma statements, based on the newly accepted valuations, and returned to California.

Skeptics on a junket

When the new statements arrived in late October, the consequence was clear: The European loss would not only wipe out the international division's profit, but would cause a large fourth-quarter loss for the entire company. Had the 16 million pants sold in Europe last year brought full prices, sales there would have totaled \$115 million. But half of them, or eight million, had to be sold at discounts, and the receipts totaled only \$11.3 million. Instead of earning a profit the European operation lost \$12 million.

When the company disclosed its fourth-quarter loss, the shock reverberated on Wall Street. In a single day of trading on the New York Stock Exchange, Levi Strauss common dropped from \$21 1/4 to \$21.50. By unhappy coincidence, that blow fell barely a week before the beginning of a three-day, \$65,000 company junket to San Francisco for some fort-securities analysts. The trip was intended to improve Levi's image in the investment community. But instead of being able to crow about the company's considerable achievements, Bud Robinson spent four hours aboard a chartered jet from New York explaining the European loss to the critical guests. Many of them went home from San Francisco still skeptical about the agility of Levi's management.

Though plainly shaken by the European fiasco, the Haases vow that Levi's will never again get too big for its britches. "We've done a lot of soul-searching," says Walter Haas. "Peter and I were unpopular for years with some of our people because domestically this company could have grown much faster. We have been behind the market every year. But we wanted to grow within our resources, both financial and management. Our European operation didn't do the same. It will never happen again, I can assure you that."

Toward that end, Levi's far-flung

subsidiaries will operate with considerably less freedom. The virtues of allowing each manager to run his own business have yielded to the need for accurate information and adequate control in Brussels and San Francisco.

The Haases contend that their troubles in Europe are over. The glut of inventory has been cut to a manageable 5,362,000 pairs of pants, about a four-month supply. Accounting methods and forms used by the sales subsidiaries are being standardized. The subsidiaries' controllers will soon begin reporting to the L.S.E. controller, not to the president of their subsidiary—an adaptation of the famous I.T.T. control mechanism.

The European warehouses are being consolidated from twelve to three, and Levi's inventory-control experts are designing computerized primary and backup inventory-accounting systems. This year 70 percent of the goods L.S.E. sells will be made in Europe, shrinking those long supply lines to about six weeks.

"I guess they feel deceived"

After what must have been the most painful soul-searching of all, the Haases are replacing Bud Robinson as vice president-international, effective this month. His successor, Robert Grohman, the former president of B.V.D. Co., himself had years of foreign experience. Robinson wanted to stay in a line job, but instead was made vice president for corporate marketing—a staff position he feels offers little challenge. So he has been looking for a job outside Levi's. "I'm the guy who's responsible for international, and I guess they feel deceived by me," says Robinson. "I feel a bit bad, if you want to know the truth."

Levi's stockholders may feel much the same way. Still, as expensive as Levi's European inventory debacle was, the company nevertheless did capture the No. 1 share of the Continent's market for jeans. That achievement might have taken longer, and therefore been even more costly, if the company had taken time to install all its controls first. Probably the biggest cost of the whole affair has been the damage to Levi's image. It will take quite a while for Levi Strauss to recover its old mystique. END

A 60'S AD MAN'S GUIDES LEVI'S GROWTH



Bud Robinson was graduated from Duke University in January 1954 and began working for Procter & Gamble in sales, later transferring into their Cincinnati, Ohio Advertising Department. He then became West Coast Sales Manager for Better Homes & Gardens in San Francisco and was recruited by Honig Cooper advertising agency to be Assistant Media Director and Account Executive for Clorox Bleach. Later Bud was recruited to become Account Supervisor on Texize Chemicals, and Miles Laboratories New Products. From there he was asked to join Levi Strauss & Co as Director of Advertising in 1964.

In the ensuing 10 years Bud was appointed Director of Levi Strauss Europe, and then President of Levi Strauss International.

This book details the highlights of Bud's 10 years as the prime Architect of Levi's transition from a regional Cowboy product to a worldwide youth Icon, and ponders their recent declining status.

Bud is back in the Schmata Man Saddle as Director and Co-Founder of Apparel Made for You Inc.(AM4U), a revolutionary attempt to bring Apparel and Textile production back the USA in a very profitable and environmentally friendly way.

Links: www.am4u.com www.vimalliance.org

https://www.youtube.com/playlist?list=PLEkOcACNBa6P6yeU_pcis_MOewKe_Ebg1